

Land revenue



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[REDACTED] a kind of non-agricultural history
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 [REDACTED] BM365 [REDACTED] opinion, the assessment be no
 [REDACTED] by no means light. Be[REDACTED]gation
 [REDACTED] the soil is very poor and not
 cultivated, the enhancement in some cases has been
 something enormous. On some estates the revenue
 has been doubled or trebled. The whole of the increase
 however is about twelve per cent. is
 the old revenue. This low average is due to the
 fact before noticed that the Sagar and Dumoh
 districts had been oppressively overassessed at the
 first settlement, and the rates had accordingly
 be reduced in these districts. The other districts
 were also highly assessed, and the assessments
 not be increased to any considerable amount
 them. It is not reasonable to demand better culti-
 or quadruple a man's taxation all at once, especially
 when a man has been accustomed to the population is
 tain style of comfort for a certain improvement takes a
 his expenses cannot be halved all at once. It is
 least two-thirds of the land in the Central Provin-
 ces is very poor indeed, and there is only a nomi-
 nal cultivation, and even from the better lands,
 chiefly in consequence of repeated cropping, the
 yield is only five or six-fold of the seed. The
 best land in the Central Provinces is poorly culti-
 vated as compared with good land in other parts of
 India. It is not possible to impose any but a light
 assessment on a province so circumstanced with res-
 pect to the quality of its land. Neither the land nor

cultivators can compare with the land or the peasantry of the North-West Provinces or of Oudh. In these Provinces, the population is very sparse in these Provinces compared with the North-West Provinces, and contain at least four times as many people to a square mile as the best district in Nagpore. It is quite correct to say that, under the Maratha rule, the cultivating classes had no proprietary rights in the soil. The right did exist. It was in fact a theory not true to say that the proprietary right vested in Government except in name, though as a matter of fact, under the Maratha rule, the rights of the landholders were very much overridden by the State.

It would not be a breach of faith or of the understanding between the Government and the cultivators if a local tax were imposed for a local purpose which directly benefited the district through the Government. Of course, the Government must be satisfied that what will directly benefit the *Ryots*, the representations, if thoughtless, should be overruled. There may be objections to such a course, but Mr. Morris thinks that at times the policy of overriding the representations of the people is just, and that the people can be persuaded to believe it to be so. As the guarantee against increase of taxation during the term of the settlement was confined to the land revenue only, it does not exempt the cultivators from any tax which cannot be considered as land revenue, and the people cannot justly complain of such levy. Even now, a road cess of two per cent. and an education cess of two per cent. are levied

from rent-paying as well as rent-free and feudatory lands, and from lands the land revenue of which has been permanently redeemed, and there would be no injustice in imposing for a railway cess or an irrigation cess to provide for the interest of the loan contracted for such works of local utility. The people are not sufficiently intelligent to contract any binding agreement with Government, and undertake to find the interest for the money by any private arrangement. This is the chief reason which justifies occasional pressure. The land revenue is fixed at half the net profits calculated upon the actual produce of the land, or what the land is deemed to be capable of producing at the time when the settlement is made. The increase of produce arising from better cultivation would not represent in the Central Provinces more than the fair return to the capital necessary to produce that better cultivation, for the soil is very poor both in its intrinsic quality and for want of water, and the population is scanty, and the progress of improvement takes a long time to realize more than the bare profits. It is but proper therefore that the benefit of any improvement effected by the *Ryot* should not be encroached upon by the Government during the currency of the lease, unless Government can provide extended irrigation works, for none but large works will prove of any use in this country, or even pay their expenses. Any prospective increase of revenue at the time of the re-settlement will have to be looked for more from the rise in prices and extended cultivation, than from any great increase in the produce of land. At the re-settlement, it will be, in Mr. Morris's opi-

nion, perfectly fair to raise the assessment with reference to the then produce arising from good cultivation and the outlay of capital, quite independently of any consideration as to whether Government in any way contributed to make the improvement, because the cultivator will have got a fair return for his outlay during the long term of the lease, quite enough to re-pay the value of his labour and of his capital.

It is of great importance to have for every large district in India a Government model farm, not so much for the cultivation of exotic products, but for the improved cultivation of indigenous ones. Model farms are, however, very expensive luxuries, and can yield no ostensible return for the outlay for many years.

Since 1861-62, when the communications were first opened up with the Bombay Presidency, prices have risen a great deal. The expenses of Government at the same time have increased considerably, but not in proportion to the rise in prices. The expenses of Government have only increased about 30 per cent., and this increase is due not so much to any increase of salaries, but to the introduction of general improvements.

The Central Provinces export wheat, rice, cotton, and millet in considerable quantities as their surplus agricultural produce, and receive in exchange piece goods, hardware, salt and sugar, and the balance is paid in silver. The southern portions of the Central Provinces are great cotton-exporting countries. The Central Provinces settlement is a

landlord or village settlement, as contra-distinguished from the occupier's or field settlement of Bombay and Madras. The landlords pay the revenue into the State Treasury. They collect the rents from the cultivators, and pay it in a lump sum. Where village communities are recognized as proprietors, the settlement is made with them, and not with the occupying cultivators as in Bombay. In the villages so settled, they have a representative head of the community who holds the position hereditarily, or is elected by the community. He pays the revenue into the Government Treasury, and gets a fee of five per cent. on the Government revenue, and pays all the village expenses out of his percentage. The gross receipts of land revenue for the Central Provinces are about sixty *lacks* of Rupees, the charges of collection amount to seven *lacks*, and the revenue survey charges are put down at $2\frac{1}{2}$ *lacks*, making a total of about ten *lacks*. The arrears of revenue are recovered after service of process by distraint of personal property. If this latter be not found sufficient to cover the default, which is however seldom the case, personal imprisonment and sale of the estate are next resorted to. The arrears are very trifling, only about one-third per cent. in these provinces,—a fact which unmistakably indicates that the assessment is moderate. There have been of late two or three very serious famines in these Provinces, when the poorer *Ryots* were compelled to sell their proprietary rights in large numbers.

In Mr. Morris's opinion, the native population requires the spur of a fair taxation to make

them bring their land into proper cultivation ; otherwise they are apt to content themselves with bare scratching it, if they can just manage to live on such conditions.

In the North West Provinces, the people have come to regard the extra-road and education cesses to be as fixed and immutable as the land revenue, but in the Central Provinces, the cesses which are taken from the proprietors of the soil are regarded to be in the nature of temporary additions to the land revenue, and not as a fixed tax final for all purposes. The Government have the option of levying other taxes if they think fit, provided a direct and immediate benefit can be shown to result in return. The *Ryots* might object, but the objection would not be valid, and ought to be overruled. In the case of a canal, Mr. Morris does not think that the compulsory levy of an additional cess, irrespectively of the consideration whether the proprietors benefited by the water or refused to take it, would be justifiable. In the case of a road, every one would have the benefit, whether he wished it or no, and the compulsion would be justifiable. In the case of a canal, nobody would get any benefit from the water unless he took it, and it would be pushing matters to an extreme to insist upon charging water rent to proprietors who refused to take the water. There is no reason to apprehend political danger from such compulsory levies, as the people of the country are a more simple and a quieter race than those of the North West Provinces and the Punjab. The hostile temper of the people in other parts of India has been

perhaps induced by the Government not having sufficiently asserted its rights at first, and having assumed that the people had certain rights and privileges which, in reality, they had not, and which, moreover, they ought not to possess.

The great want of the Central Provinces is not the absence of land, but of cultivators to cultivate the land. The North-West Provinces have an area of 83,000 square miles, but they have a population of three *crores*, and a land revenue of four *crores*. The Central Provinces, with an area of 1,14,000 square miles, have a population of only 90 *lacks*, and a land revenue which is barely 60 *lacks*. The sparseness of the population, the immense extent of waste or *jungle* lands, the inferior quality of the cultivable land, and the careless cultivation, all together account for this extraordinary depression of the Central Provinces, as compared with the North-West Provinces. About ten per cent. of the land is held by feudatories who pay tribute, which is generally a moderate quit-rent, and its amount is liable to be increased when Government deem proper to revise it. The aboriginal Gond population comes close upon twenty *lacks*, who cultivate with the axe instead of the plough. They cut down the *jungle*, set fire to it, and in the ashes sow the seeds, and reap what they can. Even of the Hindoo cultivators, many are of inferior castes, and have intermarried with the aborigines, and form a mongrel race, who exhaust the soil by repeated cropping, and do nothing to improve it.

As the Central Provinces settlement is a landlord settlement, the Government has taken care to regulate the status of the inferior cultivators who fall

under three classes :—(1) Ryots who have occupancy rights, whose rent is fixed for the term of the settlement, and who are not liable to be ousted; (2) next come those whose rent may be increased under certain conditions, which have to be proved in the civil courts which regulate the enhancement; (3) lastly rank the mere tenants-at-will and tenants from year to year, who are subject to ouster and enhancement on receiving proper notice. There are about 1,58,075 tenants of the 1st class with fixed rates; 1,40,000 of the 2nd class with occupancy rights and variable rates, and about 4,74,656 tenants-at-will, in all making about 7½ *lacks* of cultivating tenants. None but those who were proved to have been introduced by the landlords after the village was settled, and to have held from year to year, and to have exercised no rights and privileges, have been placed in the third class. As a matter of fact, the tenants-at-will do not pay higher rates than the cultivators with occupancy rights paying at fixed rates. The average rate is between thirteen and fourteen *Annas* per acre for both classes. There is such a want of tenants, and there is such superabundance of lands, that the tenants can command almost any price they ask.

CHAPTER VII.

LAND REVENUE.

(BENGAL.)

I proceed next to furnish a summary of the evidence regarding the system of revenue settlement which obtains in the third group of Provinces. The prevailing feature of the settlement in this third group of provinces is, that the State has professedly parted with its proprietary rights to the soil, and has settled for the revenue of large estates, oftentimes including many villages, with private persons who are recognized as proprietors of the land, and with whom alone the settlement is made, either permanently as in Bengal and Behar, or for a period of thirty years as in Orissa and Oudh. With regard to the permanently settled districts of Bengal and Behar, Mr. Mangles was examined as a witness before the Committee. Mr. Mangles was qualified to speak as an authority on the subject, having held successively the offices of Secretary to the Board of Revenue, Secretary to the Government of Bengal, and Secretary to the Supreme Government in the Revenue Department. He was also a member of the Board of Revenue, and after his retirement from India, he served as a member of the Court of Directors and of the Council of India. The permanent settlement of Bengal and Behar was made first in 1789 by Lord Cornwallis, and the Court of Directors confirmed it in 1793. The permanent settlement, according to Mr. Mangles, was made without necessary deliberation,

and without obtaining sufficient information as to the state of the people and the relations of the several classes who claimed to have interest in the land. In consequence of this haste, sufficient provision was not made for the protection of the *Ryots* and the under-tenants generally from the power of the person with whom the settlement was made. Many of those who were found in the actual charge of the revenue management of the districts had been only collectors and farmers of the land-tax, who undertook for a percentage commission the work of paying in gross the revenue of a whole village, or many villages included in the estate, into the Treasury. These farmers and collectors of the land-tax were in many cases recognized as proprietors of the soil, and the settlement was made with them. Mr. Mangles at the same time admitted that this description was not correct with regard to the whole class of the Zemindars with whom Lord Cornwallis's settlement was made. There were of course many *Zemindars*, proper, who were landed proprietors and holders of ancient tenures, or representatives of the old native dynasties once ruling over the land, who still owned very large tracts of the country. The settlement of the estates was made in gross for large areas, including cultivated and uncultivated land, (in some cases these areas were co-extensive with whole districts), in a most reckless way, without any careful specification of the land or villages included. In extreme cases, it was discovered that parts of the estates settled with in this hap-hazard way were not all included in the same district. The unit of the village was not defined, no separate revenue was fixed for each

village, and the settlement was made in gross for the entire number of villages, however large the tenure might be. The regulation which legalized the settlement reserved expressly a right to the Government to interfere for the protection of the under-tenants, of whom there were and are many varieties, but this reservation proved in-effective. As a consequence of the settlement, the whole benefit resulting from extended cultivation within the area of the settled district accrued to the *Zemindars*, and the Government took no further account of what was done within the settled area, and no further assessment could under any circumstances be made. In the laws of 1793, the Government in exhaustive language declared that the settlement was made in perpetuity, and that no addition whatsoever would be made to it on any pretence. There was no reservation made in favour of even the right of the Legislature to impose a new tax generally for any purpose upon land, and although many people have since endeavoured to discover by implication such a reservation, they have signally failed in their attempts to undo the binding character of the settlement.

Mr. Mangle's indeed admitted that, at the time when the settlement was made, the whole country had been reduced to a very low state from the effects of a terrible famine which desolated the Lower Provinces in 1770, and which destroyed about ten millions of people. It is estimated that about one-third of the population in Bengal perished at the time, and as a consequence, large tracts of land went out of cultivation, and were overgrown with jungle,

and the revenue could only be collected upon the small area of land actually under cultivation. The country had not only been desolated by famine, but it had also been rack-rented by a succession of short leases till the people were very much impoverished. At the time when the settlement was fixed, the calculation of the assessment was made to rest upon the principle that the Government was entitled to ten-elevenths of the assumed rental of the entire estate settled with, taking the average for the ten years preceeding the settlement. If the Government had therefore got at the correct rental, the assessment would have been ruinously severe. The fact was that the rental was not correctly ascertained. The haste with which the settlement was made led to this result, that the assessment, fixed on the principle of taking ten-elevenths of the rental of land, was felt to be ridiculously light in those estates where there was much waste land, and where the land was pretty fully cultivated, the assessment was felt to be very heavy. Upon the whole, the assessment was practically very light. Between 1793 and 1815, one-half of the landed property of Bengal was sold for arrears of revenue. There were several reasons to account for this extensive transmutation of estates. The persons who were first settled with were bad men of business, they did not understand their own affairs, and did not pay their revenue punctually on the day fixed. Another reason was, that the *Zemindars* possessed at first no powers to compel their cultivators to pay rent promptly. This defect in the law was subsequently removed, but not in time to

prevent the change of one-half of the entire landed property in Bengal. Most of the principal landowners in Bengal now, are the descendants of the men who have bought the estates at these auction-sales. Although many of the old gentry of the country, and the representatives of ancient families, were sold out, yet even now a considerable number of the old landed proprietors still exist in Bengal, and more especially in Behar. When the estates are sold by auction in Bengal for arrears of revenue, the Government does not become the owner of the estate; it only pays itself the revenue out of the price, and hands over the balance to the proprietor. The estate is resettled with under the terms of the permanent settlement, and the purchaser buys the estate subject to the liability for the assessment fixed at the term of the first settlement. Of late the revenue has been punctually paid, and the prices which estates fetch at auction sales have been very good, so much so, that the proprietors, who want to dispose of their estates on the best terms possible, purposely fall in arrears. A public sale by auction for arrears of revenue obliterates all leases granted by the *Zemindars*, and the estate reverts back to its position under the original settlement, i.e. the purchaser comes in with the same rights as the man who was settled with by Lord Cornwallis. From the sweeping effects of this incident of the Bengal tenure, the legislature has protected certain classes of tenants called *Patneedars*, whose tenancies hold good notwithstanding the sale by the Government. Latterly, under a more general law, every tenant who has held under the same terms, for twelve years has been clothed

with an occupancy right. So that, at present, the customary holding of the *Ryot* is of the nature of a fixed occupancy subject to the superior holder's rights. There have been during the last sixty years diverse and often in-consistent alterations in the state of the law with regard to the relative rights of landlords and tenants between themselves, at one time weakening the *Zemindars* to a degree by refusing them any assistance in levying their dues from their tenants, at another time clothing them with powers which enabled them to oppress the *Ryots* grievously; as the final result of this alternating legislation, the *Ryot* in Bengal, is, at present, in the condition of a fair tenant in England, and the *Zemindars* as a body do not oppress or rack-rent their *Ryots*.

It is not possible to give any fixed estimate of the proportion between the present rental of the *Zemindar* and the sum which he pays to the State. In the case of the minor's estates, it has been found that the revenue of the *Zemindar* is exactly double the revenue of the State. This divergence is, however, constantly increasing. As a matter of fact, there has been an enormous increase of the area of the cultivation in the land permanently settled, and with it of land revenue, the latter chiefly due to the resumption of rent-free estates. The expenses of collecting the revenue are comparatively very small in Bengal. The stringent laws regulating the time and mode of payment, and the penalty of sale attending all delay, make it the interest of the *Zemindars* to pay up the revenue promptly.

In the case of a drought or famine, which is very rare in these provinces as the country is well watered

and moist, there is no organized system of compelling the *Zemindars* to assist their tenants. A great many *Zemindars* are very bountiful on such occasions. The whole work of relief is, however, a matter of persuasion, and when the Government finds it necessary to make large payments for the support of the famine-oppressed districts, it has no claim to recoup itself. The *Zemindars* had at first police duties to perform, but they have been since exempted from their performance, and now, besides providing for village constables, they are not in any way responsible for the peace of the village. The *Zemindars* can divide their holdings, and the Collector apportion the entire burden upon the several parts of the estate so divided, and each fractional owner then becomes responsible to the State for his portion.

When the permanent settlement was made, it was distinctly provided that the settlement was made to the entire exclusion of rent-free holdings, with regard to which the Government claimed the absolute right of inquiring into their title, and assessing them at their proper value. A distinction was made between royal grants and grants by private individuals, and all rent-free lands, the holders of which could not show a title by long prescription as fixed by law, were subjected to a strict inquiry with a view of settling with them as revenue-paying land. The revision commenced in earnest in 1819, and the inquiry proceeded vigorously down to 1828. These rent-free lands are much more numerous in Behar than in Bengal. In the Behar Province alone, as the result of these resumption inquiries, the Government recovered about twenty-five *lacks* worth of revenue a

year. The field of inquiry having been exhausted, the inquiry has ceased long since. The revenue of Bengal and Behar in 1799 was two *crores* and sixty-five *lacks* of *Rupees*. It was $3\frac{1}{2}$ *crors* in 1853 partly in consequence of the accession of new territories, and in 1869-70, it reached four *crores*. The loss of revenue entailed upon Government by the permanent settlement may be put down at a sum equal to the present revenue, which fairly represents the margin of surplus profits to the *Zemindar*. In Mr. Mangle's opinion, all the advantages in regard to security of tenure and confidence in Government, ascribed to Lord Cornwallis's grant, would have been as well secured under a thirty year's settlement, and every acre of land brought under cultivation under the permanent settlement would have been equally reclaimed under the protection of a thirty years' lease. The permanent settlement was unfair to the Government and unfair to the people at large ; for, the land revenue in India is a sort of common stock, and the Government share of the rental no more belongs to the agricultural class, whether *Zemindar* or *Ryot*, than it belongs to the merchant or artizan; it is a common stock for the common benefit, and the Government has no right to give away this property which belongs to the whole community to any particular class among them. By so doing, it has robbed all the rest of the community, for this settlement has made it necessary to impose additional taxation upon property and articles of necessary consumption, which would not have been necessary if the Government had not parted with this birth-right of the people. The settlement is more-

over unfair to the other Provinces, as they have been generally over-assessed in comparison with Bengal. The North-West Provinces for instance, were greatly over-assessed at the time of the first settlement. Formerly, the men who made the highest assessments were thought to be the best officers. At present, the Government has grown wiser, and there is a general tendency towards moderate assessments. Mr. Mangles said that his experience and study of the Bengal settlement made him decidedly adverse to the plan of repeating the experiment in any other part of India. Lord Lawrence was in favour of a permanent settlement, and Mr. Mangles got very little support from his colleagues in Council. Since that time there has been a great change in the official opinion on the subject, and the members of the Council have very generally come round to the opinion that to extend the permanent settlement to the other Provinces of British India would be a great mistake.

The *Zemindars*, as a class, do little to stimulate cultivation ; cultivation has increased under the self-acting pressure of increased population. The light taxation has not in any way caused improvement in cultivation. The ground is as carelessly tilled as before; as cultivation increases and more *Ryots* come in, the *Zemindars*, whether Native or European, get better rents, and feel in consequence no inducement to improve their estates.

The object of Lord Cornwallis in introducing the permanent settlement has been attained to a certain extent; the *Zemindars* have attained rank as opulent

landed-proprietors. A few among them have laid themselves out handsomely to found schools and improve the condition of their tenantry. No *Zemindar*, however, has made a road in his estate, and only one or two have done anything in the way of irrigation. For the most part, they have been content to receive their rent and fatten upon it, and render no service in return. Lord Lawrence's strongest argument in favour of extending the permanent settlement was that it would conciliate the people, and give them an interest in the support of the British Government which had granted them this great privilege. Mr. Mangles allowed the force of this argument as the only argument of weight, and gave his testimony in support of the position that during the mutiny, as a general rule, the behaviour of the people towards the Government corresponded with the length of the time that they had been under British rule. In other respects, the settlement has been productive of no good results. The land revenue of the Province of Bengal bears a much smaller proportion to the general revenue than in other provinces. There was one popular argument used in favour of extending the settlement, namely, that if you gave the people a fixed proprietary right, and only a certain revenue were demandable from their land, it would be easy to find other modes of taxation. Mr. Mangles stated that there was a fallacy in this view, and that it has been falsified by the results of the revenue administration of Bengal, for you can get no more additional revenue in Bengal than in the other Provinces. The Bengalee *Ryots* are more oppressed,

and are not so well-off as the *Ryots* of the North-West Provinces. The race itself is weak and depressed, lacking both energy and courage as compared with the natives of the other parts of India. The condition of the people has not been bettered by reason of their being under the protection of the *Zemindars*, who, it was expected, would have a direct interest in their welfare, but who, as a fact, have done nothing to improve their condition. Though the value of the *Zemindars'* estates has been greatly enhanced by the Grant Trunk Road and the Railways, constructed at great expense by Government, the *Zemindars* have contributed nothing thereto, and the Government has so unconditionally bound itself, by the stringent conditions of the settlement and consequent obligations and promises, not to levy any additional contribution, that it cannot impose any such levy without laying itself justly and with considerable plausibility open to the charge of a serious breach of faith. The annual deficit in the Indian revenues is in one sense a voluntary deficit, and is chiefly owing to the large sums spent in the great public works, which were not contemplated at the time the settlement was made, and yet Government cannot abstain from making improvements, because it would simply punish itself if it sat still.

The rental derived from land is of all forms of property the one which is most fairly and equitably liable to be assessed for the purposes of taxation. Independently of the salaries of Government officers and the interest paid to fundholders, the property and income tax upon the floating capital of the country, though fair in itself, yields but a poor return in

Bengal. The only remedy resorted to upon default in the payment of the assessment is a sale by auction of the estate. The seizure of crops is not resorted to as in the North West Provinces. Even sales by auction are of late seldom resorted to. Government cannot undertake to settle the estates which have to be sold upon any other but the *Zemindaree* tenure; it would have to pay so much in the way of compensation that it would not be a good bargain. The law by which twelve year's tenure upon fixed terms confers a permanent right of occupancy has improved the condition of the Bengal *Ryot*. The *Ryots* made a good fight against the Indigo-planters in the assertion of their rights; and they are altogether much stronger now than they were before in their confidence in Government. The reports of the missionaries relating to the impoverished condition of the peasantry are much exaggerated. There is poverty no doubt, but their condition has much improved of late. The *Zemindars* have grown immensely wealthy; they employ their savings in trade at Calcutta, and most of the native merchants in Calcutta are also large landholders. They are a very saving people. It may be a benefit to the country to have a number of rich people of the upper classes with the ability of assisting the masses, and although they do little assistance now in this way, it may be hoped that they will be gradually brought to render this help as they become more enlightened by education. The benefit to be realized in that way will however never be commensurate with the sacrifice made by Government, which, with the resources of the *Zemin-*

dars, might have carried out extensive improvements, and dispensed moreover with bad taxes altogether. The Bengalees, though more acute in intellect than any native race in India, have not the public spirit of the people of Bombay. Even in the Lower Provinces, the people of Behar are a much manlier people than those of Bengal, but not so acute and intelligent. They have more back-bone and greater energy of character. One fertile source of the impoverished condition of the cultivators is to be traced to the excessive sub-infeudation of tenure in the Province, which has been thus turned into another Ireland. A very large number of the permanent proprietors have permanently alienated their own rights, and have sub-let to tenants and annuitants of various orders for a fixed quit rent. To sum up briefly Mr. Mangles's great complaint against the land-settlement of Bengal is, that it was fixed in a way far too unfavourable to the Government, that it was so settled permanently, and that the claims of the *Ryots* were overlooked and neglected.

The Permanent Settlement Despatch of Sir Charles Wood was dated 9th July 1862. Mr. Mangles dissented from its principles, and Lord Lawrence advocated them. Mr. Mangles stated that he also dissented partially from the view which found favour with the Secretary of State in Council in relation to the bearing of the permanent settlement upon the question of the Education and Road cess. In his opinion the settlement did effectually bar the imposition of such cesses in the way in which it was proposed to impose them upon the Bengal *Zemindars*.

CHAPTER VIII.

LAND REVENUE.

(OUDH.)

Sir Charles Wingfield, who served as Chief Commissioner of Oudh from 1859 down to 1866, was examined before the Committee on the subject of its system of land revenue. The system that prevailed there before the ill-fated annexation in 1857 was much of a sort which obtains under all weak native rulers. Tracts of country were leased out to farmers and contractors. There were, besides, collectors of revenue in charge of districts, who either sublet to, or collected directly from, *Talookdars* and village communities. There were also assignments of districts made for the support of the armies to whom arrears of pay were due. As a general feature, there was an intermediate authority recognized between the Government and those who actually paid the revenue, who was responsible for the collection and punctual payment of it into the Treasury. When the province was annexed, the native functionaries were displaced to make room for English officials, and as the annexation was made in the middle of the year while the winter crop was being cut, arrangements were made for the payment of the first year's revenue by the parties in possession. In the next year a settlement for three years was ordered to be made, and the country was handed over to the rule of the North-West officials, who proceeded to carry out their favourite revolutionary settlement, by which the superior proprietors were peremptorily set aside, and the settlement was made

mainly with the village communities. The result of this settlement was that the Oudh *Talookdars* lost half their estates. A large [majority of these *Talookdars* were old landed proprietors and chiefs of those Hindoo military clans that had settled in the Province when the Mahomedans conquered Delhi, and had ever since exercised plenary jurisdiction over their own tribes and estates, never owning the control of the collectors of the native government, but always paying their tribute directly into the treasury. There were also a few Mahomedan *Talookdars*, descendants of the ancient Mahomedan conquerors of Oudh, and there were a few only who were in their origin contractors, speculators, and officials, that had managed by the dexterous use of their official influence to acquire the possession of land. There was no class in Oudh who ever claimed any distinct proprietary rights under the *Talookdars*; much less could there be a class adverse to them. Traces of old village communities there still were, but they could not be very distinctly marked, for, under the old governments, small proprietors and proprietary bodies found it most to their advantage to place themselves under the protection of one or other of the large *Talookdars* to save themselves from the oppression of the native collectors. These *Talookdars* were ousted in numbers by the settlement officers from their estates in favour of parties who did not want the boon, and who in fact resented it terribly by making common cause with the *Talookdars* when the mutiny broke out.

For the first year after the annexation, the revenue of Oudh was about one *crore* and odd *lacks*. The next year

the mutiny broke out, and the Province of Oudh was not conquered till late in that year. Before the rebellion was thoroughly quelled, Lord Canning issued his famous Proclamation by which the entire proprietary rights of the people of Oudh were confiscated for their general participation in the insurrection, but at the same time a promise was held out that those who made their submission would have their lands restored to them. When the *Talookdars* laid down their arms and claimed the advantage of the Proclamation, the revolutionary settlement which had worked all this mischief was wholly ignored and set aside, and each *Talookdar* who submitted received back the estates he had in his possession when the country was first annexed. The *Talookdars* were considered, however, to have re-entered into possession by the free gift of Government, and not by virtue of any previous rights. With the exception of a few *Talookdars* who were not included in the amnesty, and whose estates were accordingly confiscated, the whole of Oudh was thus settled with the ancient proprietors of land, *i. e.* with the *Talookdars* or with the village communities as the case might be. One-third of the whole territory was settled with the village communities, and the rest was all *Talookdaree*. This settlement was made for three years till a revised regular settlement could be introduced on the basis of the payments which had been made to the native governments. In compliance with the representation which Sir Charles Wingfield made on the subject, Lord Canning confirmed this settlement in perpetuity, and gave the *Talookdars* title-deeds which declared that

their estates have settled on them in perpetuity, subject only to periodical revision of the assessment; the title-deeds also declared that all the subordinate rights that might on inquiry be found to exist would be maintained. Both the cardinal errors of the Bengal settlement, the confusion of the permanence of tenure with a fixed revenue, and the disregard of subordinate rights, were thus avoided in this Oudh settlement. For the first three years, no increase of revenue followed, because the British officials took only those amounts that had formerly been paid to the native governments.

In the meanwhile, however, the work of the survey and settlement of the land commenced. The work of settlement has gone on during the last ten years, and has not yet been finished. Out of 12 districts, the settlement operations were completed in seven districts before 1869, and the result was that the revenue had risen from one *crore* and four *lacks* to one *crore* and 30 *lacks*, and Sir C. Wingfield estimates that when the whole work will be over, the revenue of Oudh will not fall short of one and a half *crore* of *Rupees* yearly. In assessing a *Talooka*, cultivated, fallow, and uncultivated lands are all taken into account; the fallow land is classed with the cultivated, and if the uncultivated but cultivable land occupies a considerable portion of the whole area settled with, either a small rate per acre is put upon that land in consideration of its cultivable na-

ture, or the settlement officer, in fixing of the assessment of the village, adds so much more to the assessment according to his estimate of the capability of the population to bring this land into cultivation. So far as the settlement operations have extended, it has been ascertained that as much as nine-tenths of the area is under cultivation. Oudh is in fact the richest and most densely peopled part of India ; under native rulers it was considered as the garden of India. Its population was in 1869 estimated to be $11\frac{1}{2}$ millions or 466 per square mile. There is but little waste land in Oudh except the tracts at the foot of the hills, which are called Terai. They are generally of the primeval forest sort, very rank and unhealthy. Oudh is abundantly supplied with large natural tanks and reservoirs, and besides, it is well watered by rivers. There never has been a famine known in Oudh during the last 100 years, and there is no record of any famine having occurred before. Under the rules for the sale of waste lands, lands were granted rent-free for the first 12 years, and if one-quarter of the area taken up was brought within six years under cultivation, half the fixed assessment was charged for the next 12 years. If, at the end of that term, the whole of the land so granted was not brought under cultivation, the grantee got only as much waste land as was equal in area to what he had brought under cultivation. The grantees of the waste lands were allowed to commute for the land tax at the rate fixed by Lord Canning, namely five shillings an acre, and land valued at some nine lacks was sold under these Lord Canning's rules, half of which

amount will have to be written away as irrecoverable, and the land represented by that amount will revert into the hands of Government. The right to levy revenue as well as the proprietary right to the land, in fact the fee simple of the land was sold, freed from all and every liability to Government. This did not exempt the land from the police and road cesses. Lord Canning's rules for the sale of waste lands were modified by Sir Charles Wood, who ordered that the lands should be sold by auction, and not at a fixed rate of 5s. per acre. At some of the auction sales held under these modified rules, land fetched as much as 20 shillings per acre, and even more. There are in all about 24,000 villages in Oudh, and the average rate of assessment per cultivated acre is 4s. 2d. in the settled villages. In the Punjab, the average is only 2 shillings per acre. In the N. W. Provinces, it is higher, but still less than in Oudh, and yet the people do not complain that the assessment is heavy, so wonderful is the fertility and richness of the country. So well watered is this country in some parts, that the irrigated area, irrigated both from wells and reservoirs, is in Roy Bareilly three times as much as the unirrigated land. The wells are easily sunk in one or half a day with one man's labour at a cost of 2 shillings. The tank reservoirs are the property of the villages among themselves ; one tank irrigates often as many as a dozen villages. And the tanks have always a plentiful supply of water in all seasons, though they are generally nothing more than natural depressions in the soil in which rain water collects.

At the time of the settlement, the same rate of

assessment was fixed for all villages, whether the revenue was paid directly or through the *Talookdars*. The inhabitants of the villages settled with under the *Talookdaree* system are in as good a condition as the villagers holding directly under Government, and there is no perceptible difference between the general appearance of the *Talookdar* and Government villages. Under the native governments, the *Talookdars* always stood in need of the assistance of their tenants to fight, and unless the demands of the Government pressed heavy on their resources, they did not oppress their tenantry. Under the British Government, the subordinate rights of the cultivators, whatever might be their nature, have been carefully ascertained, fixed, and recorded. If it was found that they were really proprietors of the village lands, and that they had retained the management in their own hands, they were allowed to manage their village, and pay only a head rent to the *Talookdar* as they did before. If their rights had not been preserved in entirety, they were protected in what little vestiges there remained of their proprietary title.

For the next thirty years, while the settlement lasts, it is not possible to have any increase of land revenue. When the time for resettlement arrives, there will be a considerable increase, mostly from the rise in prices, and little or none from the reclamation of waste lands. The settlement is fixed on the principle of taking 50 per cent. of the net rental. Except the estates which were given rent-free as rewards during the mutiny, there are no estates held in perpetuity on

fixed or rent-free tenures. The territory of Oudh was at one time very prosperous, but during the reign of the last sovereign, the machinery of government was much relaxed, and it got into a disordered state. It has, however, under the British rule recovered all its old prosperity; more land is cultivated now, and it is cultivated better than it ever had been before under the best native rulers.

Under the *Sanad* grant, the *Talookdar* has the fullest power of alienation by gift or devise. In the case of intestate succession, the law of primogeniture, or rather the undivided succession of a single person, applies. But for the thoroughness of the previous confiscation, it would not have been possible to set aside the settlements made in 1857 to the great prejudice of the proprietary rights of the *Talookdars*. The status of the mere cultivators of the soil was under consideration under the administration of Lord Lawrence, who was himself strongly inclined to the plan of conferring occupancy rights on all cultivators who cultivated land on the same terms for a period of 12 years or more. The *Talookdars* were strongly opposed to this arrangement, and Sir Charles Wingfield was himself of the same view, as he was convinced that the distinction between cultivators with and without occupancy rights was a purely artificial one, and was utterly unknown to native custom. After a long discussion, a compromise was arrived at, which is said to have been favourably received by the *Talookdars*.

Sir Charles Wingfield admitted that there had been a fall of nearly 50 per cent. in the purchasing power

of the value of silver during the last twenty years. As a consequence of this fall, the land revenue does not possess the same value now as it did before, and this is, in his opinion, one of the strongest objections against a permanent settlement ; for, in territories periodical-ly resettled, this depression will be made up at the time of the resettlement. While the land revenue is being thus depreciated, the expenditure of Government under all heads, *i. e.* in paying wages, in purchasing stores, and buying food and cloth-
ing for the army, must increase. The only excep-
tion to the rule is represented by the Government outlay for interest on the national debt which does not increase with the rise in prices. The salaries of Government servants also have not been increased on account of the high prices except in Bombay. Most of the Provinces of India do not admit of being resettled on any large scale during the remaining quarter of this century, and it is to this fact that we owe chiefly the serious financial difficulty which pre-
sents itself so embarrassingly before Indian states-
men, namely, that the only source of revenue, which does not represent onerous taxation on the people, is being constantly and increasingly depreciated, while the outlay of Government is as constantly increasing.

By way of compensation for this disadvantage, Sir Charles Wingfield of course admitted that the settlements are not synchronous, they are general-ly so dated that the work of the revision of settle-
ments will be always going on in one or other portion of India ; he urged besides that the disturb-

ing cause of the rise in prices, while it injuriously affected the land revenue, has increased the yield of the other resources of Government, namely the salt duty and the customs. There is, however, a fundamental distinction between land revenue and other taxes, the one represents the inherent right of the Government to a portion of the produce of the soil, the other items of revenue are taxes upon the labour or capital of the country. The land revenue, if not paid to Government, will have anyhow to be paid to the landlord class, and the burden on the cultivators will not be a whit less if the Government were ever to give up its right. In so far as the land tax does not exceed the rent proper, it is a natural increment which is the private property of no particular class in the community. It is a public fund which is best turned to account by being used up for public services. If the land tax were abolished, this fund so devoted to public purposes would not go to enrich the cultivators or farmers, who would have to pay some substitute for it to the Government. This unearned natural rent would be appropriated by the idle land-lord class. Besides, the proprietors and cultivators would grow careless and indifferent but for this stimulant of a land tax. Moreover, it is not true as a fact that the cultivation is better, or the condition of the cultivators is more prosperous, in rent-free villages than in the Government villages. The revenue raised from land represents no loss to the community, whereas the revenue raised from the customs duties, or

from salt, or from stamps, represents a real burden on the people.

Sir Charles Wingfield however maintained that while he fully admitted the force of the objections based on the ever-increasing inadequacy of a temporarily or permanently settled revenue to meet the increasing outlay necessitated by high prices, yet they were not sufficient to outweigh the other considerations which made it absolutely necessary for the prosperity of the country to protect and encourage the cultivating classes by long terms of fixed assessment. At this stage of his examination, Sir Charles Wingfield was asked whether he did not think that all the disadvantages might be avoided, and all the advantages of both the permanent and periodical systems of settlement be secured, by a settlement in which the land revenue was fixed for ever not in the shape of its money value, but in the shape of a fixed quantity of the staple produce of the country assessed according to the natural advantages of the soil and of its situation as regards markets &c, and it was further arranged that the actual sum to be paid to the state should be fixed for a term of years, and made to vary according to the greater or less money value of this fixed quantity of produce, taking the average of five or ten or more years. By this arrangement, the advantages of a permanence of tenure and fixity of revenue would be secured in the interest of the agricultural classes. The Government will not suffer by reason of a rise in prices, nor will the *Ryots* be distressed when a fall takes place. The wants and

interests of both the Government and the *Ryots* will thus mutually adjust themselves, and produce harmony and content unknown under the present arrangements. Sir Charles Wingfield answered that this plan had been suggested by some people, but he never approved of the suggestion, chiefly because people would not understand it, as it is opposed to their feelings and ideas, and they would not feel the security and the encouragement they find under the present settlements. So that, in his opinion, there is no way of getting over this perpetual source of embarrassment and loss to Government caused by the depreciation of silver except by additional taxation, from which the only moral to be drawn is that the greatest possible economy in the administration of the finances of India is the sole resource left to the Government.

Sir Charles Wingfield agreed with Mr. Fawcett who examined him upon this point, that the proceeds of the sale of waste lands, and to some extent of the sale of the *Khasmehals* also, ought not to have been spent as revenue, but that they should have been credited to the capital or debt account of the State. The *Khasmehals* were, however, mostly of the nature of windfalls, and not a regular source of revenue, and they were too insignificant in value to make it a matter of much consequence how they were spent. Sir Charles Wingfield said he was opposed to the Permanent Settlement Despatch of Sir Charles Wood, which was intended for, but has not been acted upon in, the North West Provinces. It was applicable only to the Bengal Presidency,

and no other province in India fulfilled the two essential conditions of the Despatch. Sir D. Macleod of the Punjab, and Sir L. Edmondstone of the N. W. Provinces, were also equally opposed to the policy of extending the Permanent Settlement to the Provinces under their charge, and Sir Charles Wingfield went so far as to urge upon the Committee that not a day should be lost in rescinding the Despatch. Lord Lawrence and Sir W. Muir lent the support of their great authority to the measure, and advocated the policy of a Permanent Settlement for the whole of India. The great apostle, however, of this revival of Lord Cornwallis's policy was Colonel Baird Smith, the Famine Commissioner, who reported upon the condition of the N. W. Provinces after the famine of 1860-61. Colonel Baird Smith thought that if the Government demand were once fixed, the people would be so enriched that a thousand new sources of indirect taxation would be opened. This hope, however, has not been justified by the results of past experience. The permanently settled Province of Bengal has of all Provinces in India shown most opposition to direct taxation, and of all classes of people in Bengal, the *Zemindar* class is the strongest in its objections to direct taxes.

The depreciation in the value of silver began long before the years of cotton famine. It began at the time when the first railways were commenced. The cotton famine only intensified the tendency towards high prices, especially on the west coast of India. Oudh was not much affected by it, for Oudh is not a cotton-producing country. It has not

been found necessary to raise the salaries of Government servants notwithstanding the rise in prices in any part of India excepting the Bombay Presidency. The higher salaries of European officers are generally liberal, and leave a good margin to live on and save out of, and there is no just ground for complaint. The salaries of the native subordinates have had to be raised, not on account of the rise in prices, but because they were so very inadequate before.

The description of misgovernment in Oudh given by Colonel Sleeman was much overdrawn; it was partial and incorrect in that it was too gloomy, and Colonel Sleeman relied too much upon the information he obtained from his native assistants. Oudh has enormously improved under British rule by the security that has been given to peaceful industry during the last fifteen years, and now it would be strictly true to say that it is one of the most peaceful, contented, and prosperous districts in India.

CHAPTER IX.

LAND REVENUE.

(BRITISH BURMAH.)

British Burmah, comprising the Provinces of Araccan and Tenasserim acquired in 1826, and the Province of Pegu conquered in 1852, was raised only lately into a Chief Commissioner-ship under Sir Arthur Phayre. This Province hardly comes within the limits of India Proper, and its economical and agricultural polity marks it out as a province beyond the border, with a barely developed civilization. It has no system of land settlement; the settlements are made from year to year; it is with difficulty that in some cases a ten years' settlement was made, as the people are decidedly averse to long settlements. Before British rule commenced, the revenue, estimated at 1/10th of the gross produce, was paid in kind. The grain tribute had to be conveyed to the Government granaries at the cost of the tax-payer. Soon after the conquest, an arrangement was made by which the proportion taken by the Government was doubled. Twenty per cent. of the gross produce commuted into its money value was taken as the revenue due to Government on cultivated land. The arrangement was made with the actual cultivators, as there are no intermediate agents or village-holders in Burmah. In some years, more than 20 per cent. of the produce has been taken by the Government.

The cultivators pay, in addition to the land revenue, a cess for roads, education, and rural Police.

The whole area of British Burmah is 94,000 square miles, of which only 3,000 miles are under cultivation. About 30,000 or 40,000 square miles admit of being brought under cultivation as the population increases. A large population is the great desideratum of British Burmah. The rest of the land is overgrown with *jungle*, or is mountain land covered with teak forests. Immigrants from Burmese and Siamese territory are pouring in in numbers, and they are rapidly bringing the waste land into cultivation ; very few people come from India except at the ports, where, however, they do not settle; they only live sufficiently long to save a certain sum, and then return back to India. The Chinese have settled in numbers, but they work as artizans or merchants, and have no liking for agriculture. The holdings are generally very small, seldom exceeding 10 acres. There are no alienations of revenue in British Burmah, no chiefs or holders of ancient tenures, and hardly any man who holds more than 40 acres. The occupants are considered owners of the land, and can sell or deal with the land as they please. The land revenue at present is about 47 *lacks*, and it is increasing every year, as more land is brought under cultivation, and it is likely to be doubled in forty years. The forests, especially the teak forests on the hills, yield a revenue of four or five *lacks*, exclusive of the expenses incurred by the state. Besides, much timber is floated down the rivers from independent Burmah, and pays an excise duty estimated to bring a *lack* of *Rupees* every year. The general question of taxation in British Burmah is still open

and undecided. Sir A. Phayre said he was satisfied on one point, namely, that the people were not over-assessed. The people accept the assessment cheerfully, at least he had heard no complaints from them. The revenue is paid promptly, and the coercive powers of selling the land for default in payment of revenue are seldom exercised. The approximate number of persons paying land revenue direct to Government is about $3\frac{1}{2}$ lacks, and the average rate is about 13 or 14 *Rs.* per head.

SECTION II.

FOREST REVENUE.

Having in the previous chapters furnished a summary of the whole of the evidence received by the Committee on the subject of the land revenue, I now proceed to furnish an abstract of the evidence relating to the Forest Revenue, with regard to which, Mr. Phillimore, an Assistant in the Revenue Department of the India Office, and Dr. Cleghorn, late Conservator of Forests at Madras, were examined before the Committee. Mr. Phillimore made but a very sorry appearance before the Committee. The confession was most reluctantly wrung out of his mouth that the superintendence professed to be exercised by the Secretary of State over the action of the Government of India in the matter of the Forest Revenue was only a farce. He could not give any idea as to what the estimated out-turn of Government forests would be in the future, nor whether the present proportion of 80 per cent. out-lay upon the realizations was likely to be diminished in the course of succeeding years. He could not even furnish Mr. Fawcett with a table showing the principal items which went to swell the total of 57 *lacks* of *Rupees* of the forest revenue. The Secretary of State is ostensibly supposed to review the budgets that come from India, and most marvellously is this review accomplished by the officials of the India Office without forming any estimate as to the yield of the several sources of the revenue, and without any knowledge of the variations from year

to year of the items composing the gross receipts. The check and control of the India Office turns out thus to be only a costly joke. The budgets from the various administrations are indeed sent up regularly to the Secretary of State, but there is no functionary in the India Office whose business it is to club the results of the various reports together, and present them to his chief for his information. Mr. Phillimore spurned to enter into particulars, and stated that he thought he would only be examined on the *principles*, and not on the small details, of the forest revenue by the Committee. The Committee found it necessary at last to give up Mr. Phillimore's examination, and content themselves with directing him to prepare a digest of the various administration reports, which accordingly appears in the Blue-book as Appendix No. 5. I have turned this digest to some account in the remarks which follow. Dr. Cleghorn stood his ground better before the Committee, but his information was chiefly of the nature of a professional expert's testimony. It had no economical value, and threw but little light upon the financial bearings of the subject.

The forest revenue was in times past included under the Sayer revenue, and forests themselves were included under waste lands. In 1800, the Court of Directors wrote to the Government of India that it should assert the Royal rights claimed by the native princes over the Malabar forests, which had been long neglected by the British Government. This neglect, however, continued in the Bom-

wood in Mysore, Mahogany in Bengal, *Devdar* plantations in the valleys of the Himalayas, and *Cinchona* plantations on the Neilgiri hills. Every year there is a liberal allowance made for replanting, and the formation of fuel plantations for the purposes of the railways has become an important duty of the forest officers, causing great present outlay. It is a rule of the department to have always a certain number of growing trees per acre in the reserved forests. The best example of successful plantation is seen on the Malabar Coast in what is called the Conolly teak plantation, which was commenced in 1844, and has during the last ten years more than repaid its expenses out of the proceeds of the sale of the loppings. A teak plantation lasts for 80 years.

The total of the forest revenue for the last year (1870) was 57 *lacks* of *Rupees* against an expenditure of 45 *lacks*, which left a margin of 12 *lacks* of *Rupees* as net profit to the Government. Not only is this 80 per cent. of outlay astounding in itself, but what is worse, this outlay has been increasing out of all proportion to the increased receipts. The net receipts have actually diminished during the last 6 or 7 years. The net receipts were 18 *lacks* of *Rupees* in 1864-65. The gross receipts were 36½ *lacks*, and the expenditure was only 18½ *lacks* in that year. In the year 1869-70, the expenditure was more than twice as much. The increased yield of this year moreover contains a fictitious item of a considerable store of Government timber which was sold by the forest department

to the other Government departments and the State railways. All sorts of excuses were put forth by Mr. Phillimore, or rather they were put into his mouth by Mr. Grant Duff, to explain these anomalies, but as they were flimsy, they did not stand the test of the minute scrutiny of the Committee. The fact was too obvious that the increased expenditure has been chiefly owing to the employment on high salaries of European forest officers. It is true, a sort of comforting assurance is held out that, when in course of time natives come to be employed more numerous in this service, its working charges will be reduced. No school of instruction for native students is however to be established till we have specimen forests in perfect developement in India, and a large *posse* of qualified and skilled instructors is secured to teach forest science to the natives. Mr. Phillimore found himself in a fix when he was asked what was the nature of the signal improvement in the forest administration which was represented by the greatly increased outlay. He could only say that uniformity of management had been secured, admittedly a rather poor return for an additional expenditure of 25 *lacks* of *Rupees* every year.

In respect of forest revenue, the Bombay Presidency yields the largest return, *viz.* 10½ *lacks* of *Rupees*, of which about 4 *lacks* represent the costs of collection. Including Sind, the yield for the Presidency is 12½ *lacks*. Burmah stands next, the yield being nearly 10 *lacks*; the charges are much the same as in Bombay. The N. W. Provinces,

Madras, the Punjab, the Central Provinces, Bengal, Coorg, and Oudh come next in the order mentioned.

In the Bombay Presidency exclusive of Sind, it appears from the Administration Report for 1870-71 that the small province of North Canara yields the largest forest revenue, nearly 4 *lacks* of *Rupees*. The forests in Ratnagiri and parts of the Tanna district are many of them private preserves reared up under the protection of Mr. Dunlop's Proclamation issued in 1824. The total yield of the Konkan districts of Tanna, Colaba, and Ratnagiri was last year $1\frac{1}{2}$ *lacks*. Poona yielded $\frac{3}{4}$ ths of a *lack*, chiefly on account of its Mawal *Talooka*. Surat, Khandeish, Dharwar, and Belgaum yielded about half a *lack* each. Satara, Ahmednuggar, and Nassik yielded a quarter of a *lack* each. Ahmadabad, Sholapoor and Kaladgi yield little or nothing in the way of forest revenue.

The question of the village cultivation of timber formed one of the topics on which Dr. Cleg-horn was examined. He replied that as these village forests covered only small areas, and were for the most part private properties, they did not fall under the supervision of the department. The governing authorities of Madras, the N. W. Provinces, and the Punjab, have held out great inducements to the villages to plant topes and groves by giving lands rent-free for a certain number of years, and making advances for wells, but owing to the enhanced demand for timber and fuel, the villagers are too often induced to cut down and sell off their trees,

and show no care to provide for the wants of the next generation. It is, however, eminently desirable in the interests of the country to encourage the growth of these small village forests. The climate would be improved, there would be more moisture in the air from the presence of the trees, and less suffering from hot winds, and less desiccation of the ground. The Province of Oudh is very favourably circumstanced in this respect, and its people are in advance of all others in their systematic village cultivation of wood. The ill effects of the denudation of forests, caused by the old reckless management under the license system were soon observed in the diminished rainfall and arid climate. Dr. Cleghorn said that care was being now taken to preserve a sufficiently large extent of land under timber for climatic purposes ; at least we are in a better condition now than we were ten years ago. The crests of the *Ghauts* and the fringes of the water-courses are now systematically preserved.

Independently of the revenue it yields, the Forest Department is a necessity for the important service it does to preserve the humidity of the climate, and the material assistance it renders to other departments. The Government administration of forests is not solely directed with the view of producing revenue, but it also seeks to ensure the indirect benefits which large areas of ground covered by forests confer upon the country, in tempering its climate and enabling its soil to retain moisture. The maintenance of forests has a great influence on the regularity of water-springs, for, when the upper parts of the slopes and

bay Presidency down to the year 1846, when Dr. Gibson was appointed Conservator for Bombay, and worked with great success for many years. In Burmah, the forest revenue has always been an important item, and in 1855 Mr. Brandis, a German, was appointed Conservator for the Burmese Provinces. In Madras, Lord Harris, about the year 1856, appointed Dr. Cleghorn to organize the Forest Department of that Presidency. Ultimately in 1863, a separate conservancy department and a local administrative charge were sanctioned for each Presidency, and from that year the forest revenue began to figure as a distinct item in the budgets. At present, the Inspector General of Forests advises the Government of India with regard to, and superintends, the forests in Burmah, Central India, and Oudh. The Presidency Governments of Madras, Bombay, and Bengal, look to their own conservancy. These departments have only recently been subjected to proper organization, and, it was not till 1869 that a separate forest service was formed, and young men were selected in England by competition, and trained for their special work by two years' stay in the great forest schools of Germany and France. There are about 88 of these forest officers at present in state employ, of whom only one is a native of India, who qualified himself in England for this service. There is some idea of opening a school in India as soon as specimen forests are formed, and a goodly supply of skilled teachers can be secured to train native gentlemen to fill the higher posts of this service, for

which at present, it is assumed, the natives are not qualified. The forest tracts have not yet been demarkated in the bigger Presidencies, the N. W. Provinces, Madras, Bombay, or the Punjab; in the smaller administrative charges, this work has been accomplished, and it is estimated that there are 21,000 square miles of forest land in the Central Provinces, about 2,400 miles in British Burmah, and 4,000 square miles in Assam. In the Punjab, and at the foot of the Himalayas, the forests are of *Devdar* and pine wood; in Oudh and in Bengal, the forests are of *Sal* chiefly. In Assam there are some forests which are much valued for silk-worms. In British Burmah teak forests are most abundant. In Madras, especially on the Malabar coast, forests of teak, ebony, and sandlewood abound. In the Bombay Presidency, we have, more especially in North Canara, magnificent teak forests. The Sind forests furnish a good supply of fuel for railways.

Such is a general outline of the distribution of forests. The forest revenue includes three great heads, the proceeds of the sale of timber, of fuel wood, and the produce of the minor forests, which differs for each Province. In Sind, pasturage or grazing fees are included under forest revenue. Before the departments were organized, the system most in vogue was what is called the license or contract system. All forests without exception were dealt with in this way. This entailed great waste; the contractors and licensees recklessly denuded the forests of valuable timber, and did

not plant new seedlings. There was no check as to the number and character and age of the trees which were permitted to be cut, and the Railway and the Public Works Departments found a great difficulty in securing a proper supply of timber. As the forest organization improved and reserves were formed, the waste incurred under the license system was stopped, and the Government began to cut down timber on its own account for the purpose of selling it. There has been under this new management a great diminution of waste ; the trees are cut at the lowest possible point, and fires are scarce. The railway and other public departments receive their supply on half-yearly indents, and there is a greater stock of timber at the depots now than at any previous period. The system of departmental management, which plants, and cuts, and sells at its own depots, timber and firewood to the Government Departments or the Railway Companies or private contractors, is gradually displacing the old contract system in all parts of India, and much benefit is anticipated in future from this direct management.

Forests are divided into two classes, reserved and unreserved forests. From the reserved, all private persons are excluded, while in the unreserved forests, cuttings are allowed with the permission of the department on payment of a fee or seignorage levied upon timber brought out of the forest. There is a third class of what are called the village forests attached to the villages, which generally belong to private proprietors, and are not under the

control of the forest department. The reserved forests are preserved in order to allow timber to grow to a proper size, and the trees that are fit for cutting are alone cut, according to a system of regular rotation and management.

The departmental officers have to perform various duties ; the first and foremost of which relates to the demarkation of the forests, a work which is only slowly progressing throughout the Provinces. Arrangements have to be made for excluding cattle, and preventing fires which caused great mischief in times past. Then they have to classify the forests into reserved and unreserved forests. The larger forests lie generally in out-of-the-way districts, and the officers are therefore also charged with the work of opening up communications between them. The expenditure on forest-roads is charged against forest revenue. Then their next duty is to provide for the economical management or conservancy proper of the forests in their keeping, to bring more and better seasoned timber into the market, and to have a fresh supply of growing timber always ready in the forests to take the place of that which may be cut. This supply is ensured either by the process of natural reproduction or by planting ; the first is more economical, but it is not suited in all cases. Natural reproduction is most important, but it is necessary that planting should go along with it in convenient spots, on the banks of rivers, and by the sides of railways, where you cannot get growth by the natural process. There are many plantations in Malabar, and the

crests of mountains are laid bare, the rainfall becomes less each year, the supply of water is reduced, or rather there is nothing to check the rush of water down the slopes and crests. It no longer soaks into the ground, but washes off the dirt and gravel, and silts the beds of rivers. These latter are swollen with floods during the rains, but they soon run out; the smaller streams dry out sooner, and in hot weather water becomes scarce.

The existence of large forests is, in another respect, of great economical advantage to the country. In some of the drier districts of India the supply of fuel is scanty, and people burn valuable manure, thereby robbing the land of what ought to have gone to fructify it. A more plentiful supply of fire-wood for fuel would increase the productiveness of the land, as it would get the advantage of the manure at present burned, and the dry leaves of trees. In Spain, owing to reckless cutting, the ground has been baked and dried up, and on the continent, in France and Germany especially, this connection of the fertility of the soil with the existence of large forests has been acknowledged by their Governments, and great care is bestowed upon keeping up reserves of large forests.

Dr. Cleghorn expressed himself satisfied that the seemingly unthrifty condition of the Forest department, shown by the fact that the expenses of its management are steadily gaining upon the gross revenue, is likely to be improved in future, and that the recent increased expenditure was due solely to the necessity of opening up roads, blasting rocks, and purchasing elephants

and other live and dead stock materials. It may be fairly assumed that we have now reached the turning point, as nearly every province is under some sort of organized supervision, and clearances except by Government officers are now discountenanced, unless where it is intended to bring the land under permanent cultivation.

Besides the climatic and economic benefits, the demands of the various railways of seasoned timber for their sleepers, and of fire-wood as a substitute for coal, render the existence of such an organized department absolutely indispensable. In the North West Provinces and the Punjab, *Devdar* is used for sleepers, for which purpose it is far too valuable and expensive. In the south of India teak-wood is supplied for sleepers. The *Devdar* sleeper stands wear for 12 years. Sal-wood and teak can bear the strain for a longer time. With regard to fuel, it has been found that imported coal is three times as dear as native fire-wood, and the result is that wood is almost exclusively used on the Madras railways. In that Presidency, by way of a permanent prospective provision of fuel, plantations of wood on both sides of the railway have been made during the last three or four years. Altogether without the help of the Forest Department, railways could not have been constructed nor worked except at much greater expense than has been incurred at present.

The minor forest-produce includes gums, dyes, oils, lacs, bee's wax, honey, resins, gallnuts. These were not formerly brought to account at all. A charge however is now made for collecting these products. The

right to collect these products is put to auction for small areas to prevent monopoly, and it is likely that there will be in the course of years a larger yield from these sources. And it may be safely assumed generally, that the receipts of forest revenue will increase every year, as the preliminary and needful outlay has been already made, and will not recur again, while increased economy in the management and saving of materials, and increased demand for the produce, will diminish the expenditure, and bring in more net profits.

Dr. Cleghorn said he believed that for the higher offices in the forest service a scientific botanist was much more needed than an ordinary forest keeper ; the resources of the country are so varied, and so many of the products are so little known, that the more knowledge of botany the forest officer has, the better it fits him for his post. Mr. Grant Duff, with his usual habit of interference, put leading questions and almost forced the answers from the witness to the effect, that with a view to develop the resources of India, the Government both in India and England were extremely anxious to have a class of scientific and skilled officers in this service, and also to open the service to qualified natives. Anxious as Government is to admit natives, it is not possible at present to admit them to high posts with any advantage to the state. Till there was a real forest-school for India, and a set of good traditions of management, to attempt to do anything in that direction would be premature at present, except in the lower posts which the natives now occupy. This hypocritical cant is so peculiarly

habitual with Mr. Grant Duff, that none of the other members of the Committee troubled themselves to interrupt him except with a quiet and indirect irony. It may be safely asserted that this pretended anxiety to employ natives has not the smallest foundation in fact. It is at least clear that the hastily presumed absence of necessary qualifications has nothing to do with the exclusion of natives from this service, for a small percentage only of the 88 gentlemen in the forest service, all engaged since 1863, possess any of the scientific or professional qualifications, considered to be so indispensable and unavoidable, and the absence of which is in the case of the natives held to be a bar to their admission into the higher ranks of this service.

SECTION III.

EXCISE REVENUE.

In the order of the Budget Statement, I shall now proceed to furnish an abstract of the evidence relating to the Excise Revenue. Being for the most part a tax on vice and intemperance, excise duties are the most unobjectionable of imposts, and one only regrets that the principle which is supposed to guide the action of Government in levying these duties,—namely, that of levying the ~~largest~~ amount of duty upon the smallest consumption of these noxious luxuries of the poor,—is not practically and systematically carried out. The ~~total~~ revenue of the empire under this head is about $2\frac{1}{2}$ crores of Rupees. Of this sum, Bengal contributes 69 lacks, Madras contributes 57 lacks, and Bombay contributes 44 lacks, making together $1\frac{3}{4}$ crores of revenue for the three older Presidencies. The returns for the other Presidencies were not furnished to the Committee. There are four or five different systems according to which excise duties are levied in the four great provinces about which the witnesses spoke, and some of these different systems are found more or less concurrent in one and the same Presidency. There is first the farming system; there is next the Sadar distillery system; thirdly, there is the system of taxing individual trees; fourthly, there is the system of cultivating the plant, and selling it wholesale from Government warehouses; and there is, lastly, the licensing system. The excise revenue is derived from distilled spirits, and *arak* distilled from rice and sugar or

different other substances, and from fermented liquors, which are generally obtained from the palm and date varieties, and from the manufacture and sale of opium, and *Bhang*, and *Ganja* preparations. In the Madras Presidency, no revenue is derived from opium and *Bhang* and *Ganja*. There is no restriction upon the sale of these substances, and the reason of this exception is not given. The farming system obtains throughout the whole of the Madras Presidency, excepting the town and suburbs of Madras, as also in the Deccan districts of the Bombay Presidency. The Sadar distillery system may be said to be now almost universal in Bengal and the Punjab, and it obtains in three places in this Presidency. Taxing the *toddy*-producing trees is peculiar to the Konkan districts of this Presidency. The general consensus of testimony points to the superiority of the Sadar distillery system over all the others in effectively securing the two main objects of all excise regulations. It brings the largest revenue, prevents illicit traffic and waste, and checks drunkenness as far as check is possible. There can be no doubt that if people *will* drink or drug themselves into beasts, and the State cannot prevent them from so doing, the next best thing the State can do is to tax the vice heavily, so as to make it pay the increased expenditure which beastly indulgence in vice makes necessary for the protection of society. With these general remarks, I shall now proceed with a summary of the evidence relating to the particular systems of Excise Regulations which obtain in the different provinces of India.

CHAPTER I.

EXCISE REVENUE.

(BENGAL).

The excise on spirits and fermented liquors, and opium, and *Ganja* hemp, realized for the Presidency of Bengal 69 *lacks* of *Rupees* in 1869-70. Separate licenses are granted for each description of intoxicating drinks or drugs, and if sometimes one license covers all, the different items are specified in it. With regard to the excise on country spirits, which in Bengal are distilled from rice and sugar and from the flower of the *Mourah* tree, there have been great changes in the management of this branch of revenue from time to time. . Previous to 1840, there was a double system at work, the system of farming prevailed in the country districts, and the system of Sadar distilleries obtained at the Sadar stations. A Sadar distillery in Bengal consisted in those days of a large enclosed area in which all persons who desired to make spirits after the country process were obliged to distil their liquor. They set up their own stills at their own expense, and paid rent for the ground occupied. The duty of one *Rupee* per gallon was taken when the spirits were removed from the distilleries, and the spirits so removed after paying duty were supplied to the retail shop-keepers, who had to take out a license for the sale of such spirits. These licenses were issued by the Collector, and were subscribed or endorsed over by the Magistrate of the place. The license was a fixed charge at so much a day for each shop, with conditions annexed providing against smuggling and gambling, and regulating the

hours when the shops should be shut. All the retail dealers within a certain area were bound to obtain their liquor at the Sadar distillery. This system of Sadar distilleries was confined to the Sadar station of each district, the principal station where population was dense, and the European officers resided. The rest of the district was farmed out either as one whole district, or in conveniently small divisions. The farms were put up every year to public auction, and the farmer manufactured his own spirit, or got it elsewhere. He purchased at the auction the exclusive monopoly of the manufacture and sale, together with the liberty of distilling, and selling wholesale or retailing *arak* to the shops within his district. In fact, the whole country was given over to him to be supplied with drugs and spirits as he pleased. It sometimes happened, when the *Abkari* fell into the hands of a large capitalist, that nobody was found to bid against the farmer, and the Government was entirely at his mercy when the time for re-letting came.

This double system obtained till 1840, when gradually the farming system was discontinued, and the Government put itself into the position of the farmer, and collected the revenue by its own establishments. Licenses were issued for the sale of liquor at so much a day for each shop which supplied a certain district, and the licensee distilled his own liquor, or purchased it elsewhere. He had to pay no duty for the privilege of distilling; the revenue was wholly derived from the licenses, therein constituting the chief difference between the system of Sadar distilleries, and that which obtained in the rural districts. Of course the

daily tax varied greatly according to the custom. It was understood that the licensee had a monopoly within a certain area. The revenue increased considerably under this system as compared with the farming system. The Sadar distilleries were continued as before for the Sadar stations.

Since 1860, there has been an extension of the Sadar distillery system beyond the limits of the Sadar stations, as it was found that the out-still system for the rural districts led to a great extension of drunkenness. It was the interest of the excise officer to open as many shops as he could, and show a good return; thus every village came to have its shop, and there was a great increase of the habit of drinking among the agricultural population. Under the Sadar distillery system, the duty is taken not by petty excise officers, but by an officer of high standing, and it does not become the interest of the Abkari officer to show increased revenue by opening additional shops. By the extension of the Sadar distillery system, the number of retail shops became less, and as better surveillance was exercised, a greater duty was levied upon the distilled spirits than was realized under the indirect daily licenses. The rate of duty on distilled spirits was raised with the Customs duty on imported spirits to 3 Rs. per gallon about 20 years ago. At present, the Sadar distillery system may be said to be almost universal throughout whole of the Presidency, except in a few remote districts where the out-still system is retained, as the country distilled liquor is so very weak, that it will not bear carriage in small quantities to those remote places.

The result of this extension of the Sadar distillery system has been a gradual improvement in the revenue, as is shown by the fact that, while the duty has remained the same, the revenue has been increasing every year. In Sir C. Beadon's opinion, among the higher classes in Bengal there has been an increase of intemperance. As to the lower classes, there were loud complaints to that effect from the missioneries while the out-still system obtained, but no complaints have been heard since the extension of the Sadar distillery system. Sir C. Beadon stated that, although without doubt the consumption of intoxicating liquors had increased of late, there was no more preceptible drunkenness now than was observed before, except among a few of the higher classes, (and of these among the Hindus more than among the Mahomedans), who drink English liquors. The petty system of licensing did increase drinking among the people. The present system however is based on the principle of extracting the highest possible amount of duty from every gallon of spirits that is drunk, the object being to get the largest revenue from the smallest amount of drink, and the effect of the system is rather to check than to encourage drinking. The increased consumption is due more to the prosperous condition of the people who have so much more money to spend on the luxury of drink than they could spare before. There is no foundation for the reproach cast at the British Government that British rule has encouraged habits of drunkenness among the people. Drinking cannot be said to have been introduced by the English. Several of the Mahomedan emperors were noted as drunk-

ards, as also Jaswantrao Holkar and Ranjitsing. The followers of the Tantras drink spirits, and the aboriginal tribes like the Sonthals are greatly given to drinking.

The changes of the system before described relate chiefly to distilled liquors ; fermented liquors, such as *Toddy* and others, also come under the head of the Abkari revenue. The spirits sold to the army pay no duty, they are provided by the Commissariat, and the soldiers can buy them at their canteens, or may go into the Bazars, and buy on their own account. There is not much adulteration of spirits in Bengal ; simple dilution with water is often practised. The granting or withholding of the license to open a shop does not in any way depend upon the wishes of the population of the locality concerned, who are not consulted upon the point ; the executive officer determines that himself, and there is no approach to the system of permissive Bills. English example has had an injurious effect upon the higher classes of natives. It is true English gentlemen as such do not drink to excess, it is only the lower classes of Europeans among whom drunkenness prevails. The higher classes of natives, in following the example of the English, have carried the practice too far, and often drink to excess. They first commenced with wine, and have now taken to spirits.

As regards fermented liquors, there are two sorts, one called *Toddy* from the palmyra trees, and the other which is made from rice, and drunk in great quantities by the Sonthals. Annual licenses are issued for the sale of these fermented liquors and the

amount of the license for each shop within certain fixed territorial limits, mostly corresponding to a village and its area, is settled by competition. The license is taken out for each shop, and the contractor cannot multiply the shops without permission. If a village is large, two or more shops may be set up ; so also in towns, where separate localities are marked out for each shop. The total revenue derived from the sale of these licenses in 1868-69 was 6,65,000 *Rupees*, of which 5,37,000 *Rs.* were from *Toddy* licenses.

Besides distilled spirits and fermented liquors, the Abkari revenue includes *Bhang* or *Ganja*, which grows only in two districts. The cultivation is under the supervision of an excise officer who compels the cultivators to collect the hemp plant after it is cut, and store it up in certain places. No one is allowed to purchase this *Ganja* except licensed wholesale dealers,—who take out passes for the quantity they wish to buy, and with the pass in their hand they go to the warehouse, and take out as much *Ganja* as is covered by the pass, after paying a fixed duty per *Seer* on the quantity bought. The duty per *Seer* is 10 times the cost of the production. The wholesale dealers then sell the *Ganja* to retail dealers, who have to take out a license for the privilege of selling the *Ganja* and its various preparations. The principal duty is paid by the wholesale buyer. The income from this source was in all 9,79,000 *Rs.*, of which 9,68,000 were obtained from the price paid by the wholesale purchasers. The revenue from this source is increasing every year, and the duty itself, which was two *Rupees* a *Seer*, has lately been raised to 3 *Rupees* per *Seer*.

These three items constitute the whole of the Abkari revenue of the Bengal Presidency. In 1852 the total revenue was 28 *lacks* ; in 1862 it doubled itself, and stood at 56 *lacks* ; in 1868-69 it touched 71 *lacks*. The increase has been partly due to increase of duty, and partly to increase of consumption. In the matter of these drugs, increase of revenue is the chief consideration, and if the revenue be not injuriously affected, it is desirable rather than otherwise to check the consumption of these noxious drugs.

There have been complaints on the part of the magistracy that the liquor shops had been unduly multiplied for revenue purposes. The law however has empowered the magistrates to veto the establishment of any shop within any fixed limits where he thinks it encourages crime. Under the new system, licenses are given by the Collector, subject to the approval of the magistrate. When the people are well-to-do and easy, the Abkari revenue has a tendency to increase. Sir C. Beadon said he thought that there was no moral evil connected with the system for which the Government were responsible. The tendency of Government interference is to check drunkenness, and its regulations are devised with a view to make the sale of spirits as difficult as possible, and to get as high a price as possible for revenue purposes.

CHAPTER II.

EXCISE REVENUE.

(BOMBAY.)

The total amount of revenue derived from the duties on spirits manufactured and retailed, and also on the retail sale of opium, and on the manufacture and retail sale of drugs such as *Bhang* and *Ganja*, which constitute the various sources of Abkari revenue, was about $44\frac{1}{2}$ lacks of *Rupees* for the Presidency of Bombay. There are three systems which obtain in this Presidency, of levying the duty on spirits. There is first the Sadar distillery system which obtains only in three towns in the Presidency. Secondly, in places where *Toddy* producing trees grow, there is a system of taxing each individual tree. Thirdly, there is the farming or monopoly system which is the prevailing system in this Presidency. The Sadar distillery system in Bombay is very much the same as that which obtains in Bengal. In this Presidency every body is not at liberty to distil in the Sadar distillery ; only a few people have acquired a sort of proprietary right to manufacture spirits in the distilleries, and they are also permitted to export and supply them to others. These persons get a permit to remove the spirit to certain places, chiefly to Bombay. They are generally wholesale manufacturers, but they also supply the licensed retail sellers. They themselves have no right to retail in any particular place. The next system is more complicated, and varies in the several divisions of the Presidency. The *Toddy* producing trees grow along

the coast in a belt extending from one to five miles from the sea into the interior. In some places the *Toddy* drawing class is permitted on payment of a certain fee to tap a certain number of trees. The minimum number of trees that may be tapped is also sometimes fixed. After drawing the juice, the *Toddy* drawers can either sell the *Toddy*, or erect a still where they please, and sell the spirits themselves by retail. The third system is simply the farming or monopoly system. The right of manufacturing and selling liquor is put up to auction and knocked down to the highest bidder. The farmer has his places appointed for him, and the number of shops which he can set up is also limited. Generally there is a fair competition for these farms, but sometimes there is a combination, in which case the Government refuses to issue any licenses at all for the sale of liquor, or puts an upset price below which it will not let the contract, which threat has always sufficed to break the force of all adverse combinations. There have been few changes in the areas subject to the different systems. Under the Sadar distillery system, the revenue realized was 86,000 *Rs.* in 1857-58, and in ten years it increased to 2 *lacks*. Under the individual-tax system, the tax on the cocoanut, palmyra and date trees was 85,000 *Rs.* in 1857 ; it was 2½ *lacks* in 1867. Under the farming system the revenue was 7½ *lacks* in 1857, and in 1867 it increased to 18½ *lacks*. The rate of duty under the Sadar distillery system was increased from 9 *annas* to one *Rupee* per gallon, and since 1867 there has been a further increase, and the present rate is 1½ *Rupee* per gallon.

As regards the tax on trees, there has been a regular increase all round, and a great deal of increased revenue is due to a more strict examination and numbering of the trees than before. The increase of revenue under the farming system has been obtained chiefly by reason of greater competition. In the opinion of Mr. Bell, the monopoly system stimulates the people to drink intoxicating liquors much more than the system of Sadar distilleries. Where the number of his shops is limited, the farmer makes surreptitious arrangements for private sale without license. The liquor itself is sufficient attraction to the customers, and music and gambling are not much resorted to as helps to secure custom.

Mr. Bell said that, although under British rule drunkenness has somewhat increased, the increased consumption of liquor has not been at all out of proportion to the improvement in the condition of the people and their means of purchasing it. The classes who drink most have been always given to the vice of drunkenness, they are the dwellers of the coast, fishermen and *Toddy* drawers and sailors, who have been always habitually addicted to intemperance. The rest of the inhabitants are far from being intemperate. Their moral condition is wonderfully sound in matters of drink. The increase in revenue has been 100 per cent, about 50 per cent increase being due to increase of duty. The price of liquor has risen, and the increase in the quantity consumed has not been in any way proportionate to the increase of revenue.

Under the Peishwas the Abkari revenue was not at first a regular item of State receipts. Afterwards

Under the later Peishwas, it was regularly entered in the accounts as an item of non-Imperial revenue, and a source of profit to the minor chiefs. Under the Peishwas, drunkenness was punishable with flogging, the administration of which punishment, moreover, was not by any means uncommon. There is no regular excise establishment in the Bombay Presidency. Except in the island of Salsette, where a new system was introduced in 1864-65, and in the three Sadar distilleries, there is no expenditure incurred by the State for any special establishment. If the Sadar distillery system were more largely introduced to the displacement of the system of taxing individual trees, the profits of *Toddy* drawers would be much less than now, for now they have a monopoly, and distil and retail the juice, both sweet and fermented. The incidence of duty varies from 3d per gallon of proof spirits to 2 Rs. per gallon. If a regular excise establishment were created, and the Sadar distillery system substituted in place of the two others, complete control would be possible over the entire manufacture, and the Government could raise the tax when it was low, and thus check the consumption and increase the revenue, and control the number of shops in a district, which its officers cannot now do. The sole object of the Government is no doubt to get a good revenue, but it is also its object to prevent as much as possible an unnecessary consumption of liquor and the increase of drunkenness. At least this profession is frequently made in the Government records. As a matter of fact, Government has succeeded in getting a larger revenue, but it has failed in preventing the

spread of drunkenness. The drunkenness which exists does not lead to so much crime in India as in England. The thief by profession drinks, but drink does not make a thief of him in India as it does in England.

In those Districts where the system of taxing individual trees obtains, the cocoanut, palmyra, and date trees pay two rates:—a small rate on the trunk which is carried to the land revenue, and another on the tree which goes by the name of a tax on the *Toddy* drawer's knife, which is credited to the Abkari. Tapping the cocoanut tree interferes with the capacity of the tree to produce fruits. The date trees in India produce no eatable fruit, and the nut of the palmyra tree is not used for food. The palmyra tree yields juice from its 20th to its 70th year, the date tree from its fifth to its fifteenth year. The cocoanut tree has the same longevity as the palmyra tree. The cocoanut tree is not much tapped except in certain localities. The palmyra tree is tapped two months in every year; a good palmyra tree gives 5 *Seers* of juice, or 300 *Seers* during the tapping season, which is sold for 7 *Rs.*, and pays a tax of 2 *Rupees*. The revenue derived from the palmyra tree varies from 6 *Annas* to 2½ *Rupees* per tree. About 60 palmyra trees grow on an acre of ground. There has been no improvement in the modes of distilling liquors. The sole apparatus consists of a rude earthen or metal retort. There is a distillery at Bhandoop where *Arak* is distilled for the use of the troops, and the process of distilling is of a higher order. The juice is not distilled at Bhandoop from the *Toddy* trees, but from date trees. As long as the farms are given from year to year, there is no

inducement to the farmer to effect any permanent improvements. If the manufacture of *Toddy* or *Arak* were more centralized, Government would be able to place an officer in each distillery, thereby increasing the quantity and refining the quality of the spirits, and also adding to the revenue considerably. An attempt to extract coarse sugar or jaggery from these trees was made many years ago, but it was not successful as the trees do not possess enough of saccharine matter. In the south of India, the production of jaggery has led to the creation of important refining establishments which work very profitably.

Mr. Bell was understood to approve of the establishment of larger and central distilleries, which would be more amenable to the control of Government, and he also recommended the imposition of a uniform duty per gallon upon proof spirits. The drinking of the native spirits has no deleterious effect upon the constitution of the men of the coast districts, who are exposed to a very heavy rainfall and its concomitant fever. The native spirits are to a great extent a necessary of life, in the coast districts. There are two seasons when the trees are tapped, November and May. One man can tap 20 palmyra trees in the season, which yield about 200 maunds of juice. According to the quality of the soil where the trees grow, these 200 maunds of juice yield from 33 maunds to 66 maunds of spirits, which are retailed at 3 *Rupees* per maund. The Government tax varies from 4 *Annas* to 2 *Rupees* on each tree, and there thus remains from 100 to 166 *Rupees* to represent the expenses, includ-

ing the charge for profits and the payment of labour.

The revenue derived from the licenses for the retailing of opium in this Presidency amounted to one *lack* and a quarter in 1867. The license is put up to auction, and the highest bidder buys his opium from the Government stores, where it is supplied to him at a price which includes the duty. The licenses for *Ganja* and *Bhang* and other preparations, which yield about half a *lack* for the Presidency, are similarly granted to retail dealers. The manufacture, as well as the retail vending, of *Bhang* and *Ganja* belongs to the Abkari Department. The cultivation of the poppy was suppressed so long ago as 1838, and it had a great effect in checking the retail sale. Instead of 381 maunds which were given out to the retail sellers in Ahmedabad for the three years 1834-37, only 121 maunds were given out in the succeeding three years. In 1867-68 the amount was only 5 maunds, which shows that there is much illicit consumption in the Guzerath districts. The amount of opium illicitly retailed cannot be less than what, if the duty were fully realized upon it, would bring in 3 *lacks* of *Rupees*, that is to say, double the present revenue. The items of *Bhang* and *Ganja* admit of considerable increase if measures were taken to regulate the growth of hemp and the sale in bulk of these articles on the Bengal model.

Out of the 44 *lacks* of *Rupees* which represent the total of Abkari revenue for the Presidency of Bombay, the details for the several districts are furnished by the Administration Report. The Surat and Tanna districts are the largest contributors. Surat contri-

butes $3\frac{1}{2}$ *lacks*, and Tanna 5 *lacks* of revenue. The Sind districts yield a revenue of 4 *lacks*. The Guzerath districts proper,—for some portions of the Surat district retain all the characteristics of the Konkan belt,—are the least productive of the Presidency under this head. The three districts of Ahmedabad, Kaira, and Broach with difficulty contribute between them as much as $1\frac{1}{2}$ *lacks* as Abkari revenue. The Konkan districts are the great sinners in this respect. Surat, Tanna, Ratnagiri, and Canara contribute 10 *lacks* by way of Abkari revenue. Next to the Konkan districts, the Southern Maratha country, Belgaum, Dharwar and Kalladgi yield the largest income, $5\frac{1}{2}$ *lacks* for the three districts. The Maratha districts proper, Satara, Ahmednuggar Solapoor Nasick, yield only 2 *lacks*, while Poona and Khandeish yield each two *lacks* as Abkari revenue.

CHAPTER III.

EXCISE REVENUE.

MADRAS.

(SIR T. PYEROFT):

The excise revenue is derived in the Madras Presidency from the sale of the exclusive privilege of selling and manufacturing spirituous and fermented liquors, and amounted to 57 *lacks* of *Rupees* 1869-70. The Abkari revenue does not include *Ganja*, *Bhang* and other drugs, which pay no excise duty, and are not interfered with at all by the State. The excise duty of 57 *lacks* is realized by selling the farm of each district to the highest bidder at auction sales. The farmers arrange with their sub-contractors to establish shops for the sale of spirituous liquors. The country *Arak* or distilled spirit is made from rice, flavoured with spices and the bark of some trees. The fermented liquors or *Toddy* is drawn from the cocoanut and palmyra trees on the western coast, and from the date trees on the eastern coast. The cocoanut, palmyra, and date trees are taxed singly or in groves, but the proceeds of this tax form part of the land revenue. The Government has no distilleries of its own for the manufacture of spirits except in the city of Madras itself. In the districts the farmers distil in their own distilleries. There is no obligation on the farmer to manufacture his own spirit. He might import it from a distance, if he only takes care that it was not sold in transit to the detriment of other farmers. The farmer gets a lease in which the villages where shops may

be opened are defined, and one of the conditions is that he shall not charge less than a certain rate. This condition is imposed with the object of preventing people from getting the liquor cheap. Exclusive of Madras town, the Presidency districts, containing a population of nearly 26 millions, pay an excise duty of 44 *lacks*, or 3 *Annas* per head of the population. The town of Madras with its suburbs and the district around contains 12½ *lacks* of population, and pays 12½ *lacks* of *Rupees* as excise duty, which gives a proportion of nearly a *Rupree* per head. These totals do not include the supply of spirits to the army which is a separate concern, and is managed by the Commissariat, who supply liquor for canteens and other places from the head quarters at Madras.

In the town of Madras, the shops are rented separately; the Government have their own distillery, and all the native spirit is supplied from it. The Colombo and Ceylon *Arak* sold in the shops is also imported by the Government, and supplied to the retail dealers. The revenue is chiefly derived from the sale of the *Arak*. There is a regulation which prohibits Government from making a profit of more than 3½ *Rs.* per gallon, which, being added to the cost of manufacturing country liquor, determines the sale price. The maximum charge is 3½ *Rs.* per gallon. The Government does not sell the liquor at an upset price, but it sells the shops for which the proper localities are fixed by the Police and Magisterial authorities, who of course grant the licenses to those who bid highest at the auction sales of the shops. The particular house where the shop is situated is not provided for by

Government; the farmer finds his own shop in the locality ; it is only the privilege of selling liquor in the particular localities or streets which is sold by auction. For the whole of the Madras town and suburbs with a population of $12\frac{3}{4}$ *lacks*, the excise revenue yields $12\frac{1}{2}$ *lacks*, including the profits of the distilleries, and the proceeds of the sale of the shop licenses.

During the last four years, this branch of revenue has steadily increased. In 1865-66 it was $41\frac{1}{2}$ *lacks*, in 1866-67, it was $42\frac{3}{4}$ *lacks*, in 1867-68, it rose to $50\frac{1}{2}$ *lacks*, in 1868-69 it was 49 *lacks*, and in 1869 70 it reached the large total 57 *lacks*. This increased revenue is due solely to increased consumption as the duty has not been increased. It is the lower classes of menials and labourers and men employed on public works who drink most, and this consumption is likely to increase with the improvement in the condition of the people and the rise in wages. The towns consume more liquor than the country. The higher castes do not drink. The shop licenses do not include European drinks ; in the shops only country liquors are sold, and they are allowed to sell only small quantities, a bottle of brandy or so, of the European drinks. The English drinks are sold in English shops, and licenses are taken out for the sale of these liquors, which bring, however, but a small sum by way of revenue. None but licensed shop-keepers can sell these European drinks. The English shops cannot sell less than a certain quantity, half a dozen of bottles or so, at a time. There is very little demand for English spirits among the natives, who prefer to con-

sume country spirits and Columbo Arak to which they have been accustomed all along.

As for the consumption of the army in the canteens, the soldiers are allowed a fixed quantity of Arak, and of late years, in lieu of Arak, beer per head. The duty on intoxicating spirits is 3 Rs. per gallon, and the duty is increased as the strength exceeds London proof. As a general proposition, the farmer of the district retails spirits of his own manufacture; he has no manufacture of liquors to sell to retailers, or to the customers of those shops for which he does not hold a license. In Sir T. Pycroft's opinion, intoxication has not much increased in the Madras Presidency. Though increased revenue indicates that there is some increase in drunkenness, the average per head shows that there cannot be much drunkenness prevailing to any large extent. The system of farming out whole districts is found much more convenient than giving licenses to the sellers direct, as the district farmer is generally a man of capital, and is more easily dealt with. The Abkari revenue in Madras does not include either opium or tobacco. No licenses are needed for the sale of opium, or for opium smoking, and no revenue is derived from these sources.

Sir T. Pycroft expressed himself perfectly satisfied with the present system as it obtains in the Madras Presidency. It is not liable to any objections which are not incidental to all systems of taxing liquors. If drunkenness has increased as compared with native rule, it is because people get better wages, and spend more money in one of the few luxuries in

which they indulge. There is a strong feeling in some quarters against the unlimited sale of intoxicating liquors and against the consequent spread of drunkenness among the natives, but it does not go to the extent of any allegation that the actual physical condition of the people has in any way deteriorated by reason of the increasing consumption. There is no more foundation also for the allegation that their condition in life and the comforts of their families are much deteriorated in consequence. The competition at the sale of licenses or farms by auction is supposed to create an inducement on the part of the liquor sellers to stimulate consumption, but even if there were no competition, it would be the interest of the liquor sellers to sell all they could. The liquor sellers are forbidden by their licenses from harbouring bad characters, or allowing disorderly practices such as gambling and others on their premises. It is part of the agreement that they shall not allow drunkenness in their shops. The present system of licenses and farms has obtained in the Presidency ever since 1812. Sir T. Pycroft admitted that probably a Hindu or Mahomedan Government would have been more strict with its subjects for indulging in intoxicating drinks than the British Government. Women in Southern India drink to some extent, but they use fermented liquors more than spirits. Opium is not produced in the Presidency, and there is a heavy pass-duty on its export, which pass is never granted, and this prevents the cultivation of opium to any extent.

CHAPTER IV.

[EXCISE REVENUE.

(PUNJAB.)

In the earlier period succeeding the conquest, the monopoly or farming system obtained in the province of Punjab on the model of the system which prevails in Bombay. The monopoly of sale was let out by auction to those who made the highest bid for it. Within the last five or six years, the Sadar distillery system has almost wholly superseded the farming system. A still-head duty of 8 Rs. a gallon is levied upon all spirits of medium strength. The rate varies according to the varying strength of the spirits. Besides the still-head duty, a large portion of the revenue is derived from licensing shops for the sale of liquors. Annual licenses are given to the highest bidders at the auction sales. The collectors of revenue fix the locality, and the limits and the licenses of shops are under the control of the magistrates. In the Punjab, the Mahomedans form the majority of the population, and they are not as a rule given to drink. The Seiks do drink to a considerable extent, but they are a small minority of the people. The working people of the lower classes and castes, the menial servants, horse-keepers &c, these are the largest consumers. Sir D. F. Macleod said his early years of service were spent in the Narbada territories inhabited by the Gonds, who were excessively given to drink, and the result was that whole *Parganas* were depopulated in consequence of the operations of the spirit contractors. These sent their agents to seduce the simple people,

and demoralized them utterly till many were at last sold out of house and home and absconded in thousands. This was the effect of the large farming system, though such a result was certainly not intended by the Government. The Government at last displaced the old system by establishing Sadar distilleries in these Nabada districts. The Sadar distillery system has worked well in the Punjab.

The Punjab Government derives a small revenue from the monopoly of the sale of the different preparations of the hemp, *Bhang*, *Ganja*, &c., revenue. The proceeds of these sales were at first reckoned as part of the Abkari Revenue, but are now kept separate in the accounts. The sale of opium is also farmed out in the same way. The revenue obtained from the licences for the sale of opium is shown differently in the accounts, though opium itself is included among the narcotic and revenue-paying drugs. These branches of revenue are still let out for whole districts as before. There is a small area of ground in the hill parts of the Punjab where opium is grown of a superior quality, and a duty is levied upon it when it is exported to other parts of the country. The Seiks smoke opium largely, and it is not known to produce any ill effect upon them, except that when deprived of it, inveterate smokers become helpless. Much greater injury is done by the consumption of the drug itself. Unless when taken in very large quantities, opium does not shorten life. There is no tax levied on tobacco, though the recommendation to tax it has been made frequently. Mr. Strachey wrote

an elaborate paper condemning the tax, and the proposal was dropped.

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SECTION V.

ASSESSED TAXES.

The fifth item of Revenue in our annual Budgets is made up of assessed taxes on income and trade profits. This resource of revenue was at first devised as a short and swift remedy to make both ends meet, and to restore the balance which had been disturbed by the permanent increase in expenditure caused by the Mutiny. After undergoing many alterations, this provisional and extraordinary levy has now obtained a permanent place in the revenue system of the empire, and in the hands of our Financiers has been the magic wand to restore the equipoise of our ways and means, and patch up artificial deficits. Mr. Secombe of the India Office was examined before the Committee on this subject. His evidence is singularly imperfect in all those respects in which a person in the position of Financial Secretary to the autocrat Minister for India may be expected above all others to be fully and accurately informed. Beyond giving a bare out-line without the details of facts and figures of the several taxation acts which have been passed during the last 12 years, Mr. Secombe was not able to throw any light upon the larger questions involved, which have been so hotly debated in Council and in the Press, the actual incidence of the taxes, their adaptability to the existing economical state of native society, and the extent to which direct taxes of this kind are made instruments of oppression in their systematic levy. In giving an outline of his evidence, I shall supplement it in places with information obtained from the Adminis-

tration Reports and Mr. Geddes's Logic of Indian Deficits.

Mr. Wilson was the Finance Minister who first introduced the Income Tax in India. There were, it is true, trade and *Moturfa* taxes levied in the different provinces before this time. The *Moturfa* tax was in fact a favourite levy in all native States, though the general tendency of the British Government down to the times of the Mutiny was to discourage all direct taxes on trades and professions. The *Moturfa* was expressly abolished throughout most of the Indian provinces except Madras, where it was levied down to the times of the Mutiny when it gave way to the Income Tax. In Punjab and Oude, direct taxes on trades and professions were levied before 1860, but they also were merged in the general Imperial Income Tax of 1860.

The tax was fixed at first for five years certain. All incomes above 200 *Rs.* were subjected to the tax. Incomes between 200 and 500 *Rs.* were subjected to a charge of only two per cent. On incomes above 500 *Rs.*, the tax was 4 per cent., of which 3 per cent. were levied for the general purposes of the Empire, and one per cent. was levied specially for local public works. The incidence of the Income tax fell upon all alike, no class was excluded, not even the *Talookdars* of Oude, nor the *Zemindars* of permanently settled Bengal. Mr. Wilson had at the same time intended to levy a license tax on artisans, retail-dealers, merchants, and professional persons, but the intention was subsequently abandoned. In 1862, however, an attempt was again made to revive the license tax on a most through-going scale, but af-

ter the bill was passed, the tax was kept in abeyance from political considerations.

In 1862, however, the minimum of income liable to taxation was raised from 200 to 500 *Rs.*, as the levy of two per cent. duty on the smaller incomes was found to cost 30 per cent. of the receipts in the mere collections. In 1863, the tax was reduced from 4 to 3 per cent. on all incomes. In the first year when the tax was fully levied according to its original conception, the yield was two *crores* and 5 *lacks* of *Rupees*. The three per cent. Income-tax of 1864-65 produced $1\frac{1}{2}$ *crores* of *Rupees*.

The original five years' term of the tax expired in 1865, which was a year of apparent surplus, and Sir C. Trevelyan kept the solemn pledge given by the Government of India when the tax was first levied, and no assessed taxes were levied in 1866. In 1867, the deficit reappeared, and Mr. Massey imposed the first License Tax on professions and trades, the minimum license being 4 *Rupees* upon traders whose profits were between 200 and 500 *Rs.* a year, and the license rate ascended gradually, till it reached the maximum of 500 *Rupees* upon all trade profits above 25,000 *Rs.* a year. Though this was called a license tax, Government servants with salaries above 1,000 *Rs.* a year were not exempted from its operation; the only exempted classes were land-owners and cultivators of land who kept no shop, and members of the military service not in civil employ, in whose favour the minimum of exempted incomes was fixed at 6,000 *Rs.* instead of 1,000 *Rs.* as in the case of all other servants. In 1868 this License Act was repealed, and what was

called a Certificate Tax was imposed in its place. The minimum assessable income was fixed at 500 *Rs.*, upon which income a certificate tax of 8 *Rupees* a year was levied, and the scale of the tax gradually ascended to the maximum rate of 6,400 *Rs.* upon incomes of 4 *lacks* a year. The exempted classes were pretty much the same as in the case of the License Tax of 1867. Persons who derived incomes from land and Indian securities were exempted from assessment. In 1869, the Income Tax was again imposed at one per cent. upon all incomes arising from offices, property, professions, and trades. All incomes below 500 *Rs.* were exempted from this tax. Land-holders and cultivators were not exempted from the operation of this tax. The exemption of the military officers not in civil employ, with incomes of less than 6,000 *Rupees*, was continued, and all property dedicated to religious and charitable purposes was exempted. In fact, this kind of property had been exempted from assessment under all the previous Acts. In the middle of the year 1869, a large deficit was apprehended by Lord Mayo and his Council, and the tax was raised by half a per cent. In the year 1870, the Income Tax was again imposed, this time at the rate of 6 *Pies* in the *Rupee*, or $3\frac{1}{2}$ per cent. In the previous Income Tax Acts, the persons liable to be taxed had to fill in the returns. This was dispensed with in 1870 with regard to the lower incomes ; under the new Act, the Collector assessed the amount, and, unless the party so assessed appealed against the Collector's estimate, he had to

pay the assessment. In 1871, the tax was again reduced, the minimum limit was raised from 500 to 750 Rs., and the tax was lowered from $3\frac{1}{2}$ to a fraction above one per cent. Mr. Secombe admitted that he was unable to furnish the committee with the precise results as regards the yield of each tax, because no such accounts had been furnished to the India Office in England. Speaking approximately, the estimated outturn of an Income tax at one per cent., exempting all incomes below 500 Rs., is about 70 lacs. The India Office has no authentic statements as to the precise amount that would be obtained by a one per cent. levy; nor is there any statement showing the classified collection of the tax, the different amounts of income, and the numbers of taxable persons in the different classes. Mr. Secombe stated that the Government of India had very accurate and voluminous statistics on these heads, but this detailed information was not sent to England.

Mr. Secombe was asked whether the India Office had received any representations to the effect that popular feeling in India was strongly against the Income Tax. He could only answer that, although when the tax was first imposed, there was an angry altercation between the Government of Madras and the Supreme Government, yet there was on the whole little exhibition of feeling on the part of the people. There was only one case in Bengal in which the officers employed in the collections were considered to have misconducted themselves, and oppressed the people. Of late no doubt there has been much exhibition of feeling, several petitions against it have been received, and many complaints published in the Press. The Secretary of State,

upon the strength of these representations, inquired of the Government in India whether the complaints of oppression were well founded. In their reply, the Government of India admitted that there had been some instances of oppression, but none of a serious character. The feeling of discontent is to a great extent shared by the European communities, and it is certainly not confined to the Bengal *Zemindars*. The Income tax is a proper mode of imposing taxation if it is requisite to raise an extraordinary revenue on the occasion of a great war or a similar national calamity. It reaches those classes of men who are engaged in trades and professions, and who would be otherwise inadequately taxed or not taxed at all, at least not so highly in proportion to their income as the rest of the population in India. When the first Income tax was imposed, the question whether the imposition of the tax was not a breach of faith with the proprietors of land with whom a permanent or periodical settlement had been made was debated, and Mr. Wilson decided that there was no breach of faith involved in the levy, and the action of Mr. Wilson and his successors has been all through approved by the Secretary of State in Council. The License Tax was given up because it mainly affected the lower classes of traders and shop-keepers. The Certificate Tax affected chiefly the professional men and traders who were making large incomes. The Certificate Tax was given up because it was found that it was only an imperfect Income Tax; and the Income tax was again re-established as being the fairest mode of levying assessed taxes. There are three ways of levying assessed taxes,—firstly, by calling for

returns of income, and assessing them accordingly after inquiring into each individual income ; secondly, by making a lump assessment for towns or districts, and leaving the distribution thereof to the collective body of the inhabitants so taxed, a plan which was much resorted to in the Punjab and Oudh ; thirdly, there is the system of fixing grades and classes, and confining the inquiry into individual incomes to the extent of fixing their grade only.

The revenue derived from assessed taxes in 1869-1870 for the several provinces of India, when the tax was only one and a half per cent, and all incomes below 500 *Rs.* were exempted, was as follows :—Bengal yielded $37\frac{1}{2}$ *lacks*, Bombay yielded $24\frac{1}{2}$ *lacks*, the N. W. Provinces yielded 15 *lacks*, Madras yielded $13\frac{1}{2}$ *lacks*, the Punjab yielded $6\frac{1}{2}$ *lacks*, Central Provinces $5\frac{1}{2}$ *lacks*, Oudh $2\frac{3}{4}$ *lacks*, British Burmah $1\frac{1}{2}$ *lacks*, making up a total of one *crore* and 11 *lacks*.

SECTION VI.

SALT REVENUE.

(BENGAL.)

I shall now proceed to furnish a summary of the evidence regarding the Salt Revenue estimated at six *crores of Rupees* in the Budget. It is by far the most important of our indirect taxes; it is moreover a tax on one of the necessities of life, and as such it forms a part of every body's bill of fare, and none however poor are exempted from paying it. Sir C. Beadon and Sir F. Halliday, both of them in their time Lieutenant Governors of Bengal, were examined by the Committee with regard to the salt revenue of Bengal proper. In 1856 Lord Dalhousie ordered an inquiry into the manufacture and sale of salt and the methods of levying salt Revenue which obtained throughout India. At that time, the salt revenue was collected under three different systems in Bengal,—(1) under a system of Government manufacture and sale as regards salt produced in Bengal, (2) by the levy of duty on imported foreign salt, and (3) by issuing licenses on payment of duty to manufacture salt.

With regard to the salt produced in Bengal, Sir C. Beadon stated that the sea-board districts were divided into a certain number of agencies, and an agent was appointed for each district agency. Advances were made to the inhabitants of the districts who entered into agreements to manufacture and sell to the Government a certain quantity of salt at a certain rate. The salt when manufactured was stored up in Government ware-houses, where it was kept until it was sold.

The sales were effected by the Board of Revenue in Calcutta, to whom merchants applied for the quantity they required, and paid the duty plus the price or cost of manufacture, and the Board thereupon furnished them with an order upon the district agencies for the supply of the salt to the merchants. There was no competition at these sales, the price was fixed by the Government, and every body was free to buy at that rate. Besides these wholesale clearances from the Presidency ware-houses, local stores were opened in the salt-producing districts whenever it was found difficult to realize the Calcutta scale of duty, and the merchants bought the salt from these local depots at prices fixed by the Board with reference to the particular circumstances of each district. In 1856, the salt duty was 3 *Rs.* 4 *Annas* per maund, or 72d. on 80 lbs. The general cost of manufacturing salt varied from 80 to 110 *Rs.* for 100 maunds. The duty was thus nearly three times the cost of manufacture. Though the import duty on foreign salt was fixed at the same rate as that on manufactured salt, it was found that imported salt could be sold much cheaper than manufactured salt. In the few cases where licenses for private manufacture were given, the license duty was equal to the duty on manufactured salt. These excise licenses were chiefly given to a few Europeans who desired to manufacture salt on more scientific principles. Sir Cecil Beadon furnished some figures representing the cost of manufactured salt on a large scale from the return for 1857-58. The cost price of $27\frac{1}{2}$ lacks of maunds of salt was about 15 lacks of *Rupees*, or about 8 *Annas* a maund. The duty upon these $27\frac{1}{2}$ lacks of maunds

was $68\frac{3}{4}$ lacks of *Rupees* or about $2\frac{1}{2}$ *Rupees* per maund, and the total price was about 3 *Rs.* a maund. The aggregate quantity of salt cleared and sold in 1857-58 was about 71 lacks of maunds, of which about $36\frac{1}{2}$ lacks were manufactured salt, $34\frac{1}{2}$ lacks were imported salt, and about 18,000 maunds paid license duty. The total proceeds were one crore and $83\frac{1}{2}$ lacks, of which one crore and three lacks of *Rupees* were yielded by the sale of manufactured salt, 80 lacks were the proceeds of the import duty, and half a lack was obtained from the excise licenses. The charges of the department for advances, cost of agencies, and all general expenditure, were 39 lacks, thus leaving a net revenue of one crore and 44 lacks for the whole of Bengal for 1857-58.

Such was the state of things about the time that Lord Dalhousie ordered a general inquiry into the manufacture, sale, and taxation of salt throughout India. No action was taken by the Government in consequence of that inquiry till 1863, when it was resolved to abandon altogether the system of Government manufacture, and its place was to be supplied by the extension of the third system, the levy of an excise duty on salt manufactured in the country. The result of this change was quite unexpected. Partly because no body had sufficient capital to manufacture salt under the excise system, but chiefly because imported salt was cheaper than salt produced in the province, salt ceased altogether to be manufactured in Bengal, and no excise duty, or but an insignificant amount only, was derived from licenses. The main supply of salt in Bengal comes now from abroad. The effect upon the

price of salt of this change of system was that it fell 50 per cent. Salt is now imported into Bengal chiefly from England. There is also a considerable importation from Madras and Bombay, including Sind. The fact is that there are some serious natural difficulties in the way of a cheap manufacture of salt in Bengal. The brine at the head of the Bay of Bengal is greatly diluted with the fresh water of the Ganges, and requires a more expensive process of evaporation than salt produced in Madras or Bombay, where the brine is pure sea-water, and is easily evaporated by the solar rays, or than rock salt dug out of the earth. By reason of the diminution in price, the consumption of salt increased in ten years from 70 *lacks* of maunds in 1857 to 80 *lacks* in 1867, of which last amount nearly 63 *lacks* were imported from abroad, about 16½ *lacks* were sold by Government from their old stores, and about half a *lack* were manufactured by private persons. The sale price is composed of two elements,—of these from 80 to 110 *Rs.* per 100 maunds represented the cost price in 1857, and the duty of 3½ *Rs.* per maund was added to it, while in 1867 it was 50 *Rs.* per 100 maunds plus the duty. When the Government manufacture of salt ceased, great distress prevailed among the men who had been previously engaged in the manufacture. Having no agricultural resource, and being trained to no other work, they became perfectly helpless, and before long were swept off the face of the earth, being the first victims of the Orissa famine.

Such were the important consequences of this change of system. The duty on Bengal salt had been

3 *Rs.* 4 *Annas* a maund in 1843, from which point it was reduced by successive stages to 2 *Rs.* 4 *Annas* in 1856. After the mutiny it was again enhanced to 3 *Rs.* and 4 *annas*, at which figure it stood till 1869. The gross yield of the salt duty in 1869 was 2 *crores* and 58 *lacks*, and allowing for the charges of collection, (1,20,000 *Rupees*) and repayments, the net yield was 2 *crores* and 53½ *lacks*. The salt duty of 3 *Rs.* and 4 *Annas* levied in Bengal is higher than what is levied in other parts of India, but it is in the opinion of Sir C. Beadon not too high, and does not diminish consumption. The cost price of salt is as high as 8 *Annas* a maund in Bengal, so that the duty of 3 *Rs.* 4 *Annas* is only 700 per cent. upon the cost price. Sir C. Beadon indeed admitted that private individuals might in favoured places manufacture salt at 2 *Annas* per maund. The present duty falls thus upon the private manufacturer at the rate of 2,800 per cent. upon the cost of manufacture. The levy of a duty of 2,800 per cent. upon a prime necessary of life did not appear to Sir C. Beadon as anything extraordinary, and he said he was of opinion that it is quite possible to have a larger revenue if the duty were enhanced. As to the question whether it was expedient so to raise the duty, Sir C. Beadon said it was difficult to give any answer, as it must depend upon the circumstances under which revenue is required by the Government. There was some salt duty levied under the native rulers, but the yield was inconsiderable. According to Sir C. Beadon, so far as the Bengalees are concerned, the people are not at all discontented with the salt duty, and do not complain

of it as being oppressively heavy. The consumption of salt has regularly increased in spite of the increased duty, and has not been greatly stimulated by any reduction of duty. If it were absolutely necessary to obtain an increased salt revenue, the object would be secured easily by an equalization of the duty all over India, in other words, by raising the rates of Madras and Bombay to the Bengal standard. Speaking abstractedly, as the present duty is only a penny per pound, Sir C. Beadon suggested that if it were absolutely necessary, some addition might be made to the tax without causing any severe burden to fall on even the poorest class of the population. The tax might be increased from $1\frac{1}{2}$ *Annas* to 2 *Annas* safely. The agricultural population of Bengal was in the opinion of Sir C. Beadon much better off than that of the N. W. Provinces, and quite as well off as that of Bombay. The price of salt which has paid duty is not much enhanced by the cost of carriage in Bengal. The price in the remotest district varies from 4 *Rs.* 2 *Annas* to 4 *Rs.* 8 *Annas* per maund. If by making a Railway in a certain district, the price of salt is sensibly lowered by the diminished cost of carriage, it is perfectly fair on the part of Government to enhance the duty to that extent to repay the charges of construction, and the people will not be the worse off for the increase of duty, if it only absorbs the saving caused in diminished cost of carriage.

As stated before, no salt is now manufactured in Bengal. Salt is imported there from England, and from the Presidencies of Madras and Bombay, and from Sind, where salt is cheaply produced. The North

West Provinces are supplied with salt from the Sambhoor lake, the Punjab territories are supplied from the salt Range Hills in that Province, while the Central Provinces are supplied with salt from Bombay. The estimated salt revenue for 1870-71 was more than six *crores* of *Rupees*. Of this sum, Madras yielded one *crore* and $16\frac{1}{2}$ *lacks*, Bombay yielded 60 *lacks*, and the revenue from Bengal was two and a half *crores*.

Some years ago, the Government of India instituted minute inquiries as to the actual consumption of Salt by people of all grades and classes. Sir C. Beadon said that he was quite satisfied from the result of these inquiries that the tax upon salt did not press severely upon any class of the population, and that the outcry against it was to a great extent very unreasonable. The varying scale of the consumption of salt in a well-to-do native family, in a middle class native family, and a family of a man of the lowest classes, was compared, and the result was that, with variations of a trifling sort, the consumption of each family was found to be six *Sheras*, or 12 lbs. a year, for each member of the family, both children and adults. There was no material difference between the average consumption of the poor man's family and the consumption in the family of the richest man. Taking the population of Bengal at 4 *crores*, and the amount of salt consumed to be 72 *lacks* of maunds, this gives an average of 7 *Sheras* per head, which result remarkably confirms the more particular estimate arrived at before. The price of salt has not increased with the general rise in prices during the last few years. There is a sort of a natural and

fixed limit to the consumption of salt. Moreover, while other things consumed by the people are dearer at the Presidency towns and cheaper in the mofussil, salt alone follows a different law. It is cheapest at the centre, and gets dearer as we go into the country districts. In the mofussil districts, all agricultural produce is sold cheap in inverse proportion to the facilities of communication with the Presidency Town. Salt on the other hand is cheap in direct proportion to the facilities. The average consumption per head being 14 lbs. or 7 *Shers*, the salt duty operates as a poll tax of 14d., or nearly 10 *Annas* on every man, woman, and child indiscriminately. Though it is really a poll tax it is collected with the greatest possible ease and without the least oppression.

Salt duty is the only tax on necessities which the masses of the population pay, unless of course we include the excise on spirits and drugs, which are not necessities of life. The Customs duty on clothing does not fall upon the lower classes because they chiefly use country cloth. One consequence of the unequal duties levied in different parts of India is the encouragement held out to extensive smuggling on the confines of the Presidencies, which necessitates a great charge in maintaining a preventive service. Some 10,000 men are employed in guarding the line of the Customs frontier between Bengal and the North-West. The duty on salt has another advantage over the other taxes. By reason of the British Government having the entire command of the sea-coast of India, the Native States have to pay the duty on salt consumed in their territories just as much as the British districts proper.

Sir F. Halliday was also examined before the Committee with regard to the salt revenue. In reply to the question whether the tax was a judicious one, he stated that it might be theoretically objectionable, though as a matter of fact the native populations did not complain of it. In the circumstances of a country like India, it had many recommendations which he enumerated at length. (1) The tax exists, and has existed for a long while. The natives have got to understand it to believe in it, to expect it, and they accordingly never complain of it. (2) It is the only tax which falls upon the people at large, and its place cannot be well supplied by any substitute of a poll tax so easy of levy, and so productive. (3) Owing to the rise in wages, and the increase of facilities, its actual pressure is much lowered than before. (4) Owing to the great simplicity of the wants of the people, and their generally uniform habits as regards the consumption of salt, it shews no great tendency to rise or fall with a lower or higher scale of duty. Sir F. Halliday stated that he had himself reduced the salt duty from 3 *Rs.* and 4 *Annas* to 2 *Rs.* and 8 *Annas*, but he found that the diminished duty did not increase consumption. (5) The tax thus acts very much like a poll tax, and that is one reason why the duty should be equalized all over India in justice to the people of Bengal, by which means the extensive temptation to smuggling which an unequal duty holds out would be done away with, and as a consequence, we might be able to dispense with an extensive preventive service. Sir F. Halliday insisted strongly upon the consideration that the burden of the salt tax has been of late years very much diminished, firstly by the

rise in wages, secondly, by the diminution in the cost of conveyance, and thirdly, by the importation of cheaper salt. The popular outcry against the injustice or oppression of the salt duty is not in any way a legitimate expression of the feeling of the native population who pay the tax, for they make no complaint of it. Moreover, if the exigencies of the State required it, Sir F. Halliday admitted that the tax might be increased moderately, i. e. to two *Annas* a maund, or 25 per cent. over its present amount, without any approach to oppression, or without seriously diminishing consumption. The charge of one penny per pound of salt gives about 8 *Annas* a year per head. The earnings of a Bengalee labourer with wife and three children will be about 8 *Annas* a day, out of which they would have to pay about three *Annas* a month for the consumption of salt. Labourers' wages in the Bengal districts, are seldom lower than 4 *Annas* a day. They are much higher in the towns and in the vicinity of railways. Besides tobacco, there is no other article like salt of general consumption, on which an indirect tax could be imposed so as to fall upon the majority of the population. The outcry against the oppressive nature of the salt duty was chiefly a reflection of opinion from England, where the objections were raised in the interests of the Cheshire Salt manufacturers.

The tendency of the recent action of Government to reduce the expenses of the Customs frontier line, chiefly out of deference to the sentiment of the English public, has resulted in an attempt to equalize the duty by lowering it in those districts where it was highest. Sir F.

Halliday said he was of opinion that the equalization should be brought about by raising the duty all round to the Bengal and North-West Provinces scale. No precise limit can be fixed, except after actual trial, beyond which the duty may not be raised. If, as the result of any definite increase of duty, diminished consumption followed, that would be the extreme limit beyond which taxation should not go.

Besides its consumption for domestic purposes, salt in Bengal is not at all used in agriculture. It is used slightly for cattle and for curing fish in Bombay. Nobody in India salts his meat as the climate does not admit of it.

SALT REVENUE.

MADRAS.

(SIR T. PYEROFT.)

In the Madras Presidency, ever since 1805, the salt revenue has been collected under the monopoly system. Both the manufacture and sale of salt are retained exclusively in Government hands. In the beginning of the season, the Government contracts with the manufacturers at the different salt works for the quantity of salt required, which is accordingly brought into store by the manufacturers. It is stored on the Government platforms, and sold in due course to dealers at the monopoly rates. The rate at present is 2 *Rs.* per maund. It was 1 *Rupee* 11 *Annas* before. There are express regulations in regard to the manufacturer's monopoly, and none but those who hold the Government license are permitted to manufacture salt. The manufacturer owns the salt pans or beds, and he produces in these beds as much salt as may be required. The Government determines for each salt work how much salt is required to be produced in it, and when that quantity is ascertained, it arranges for the supply with the salt manufacturers, giving to each a fair proportion to manufacture, and the manufacturer accordingly stores the quantity required from him on the Government platforms. He delivers it to Government by measure, and it is sold by measure again by Government to whole-sale merchants, except for purposes of export, when it is sold by weight. When salt is exported, the Government puts it on board for prime cost and charges, and does not take any profit to itself for the manufacture.

As between the Government and the manufacturer the rates are fixed by custom, and continue from year to year without change, though they vary from place to place. The price in the northern division is lower than that which obtains in the south. These rates are not regulated by competition. They vary from 5 *Rs.* to 12 or 14 *Rupees* by the *Garce*, which is equivalent to about $4\frac{1}{2}$ tons. The Government sells salt both wholesale and in retail to the dealers who come to the store-houses to buy salt there. In some parts of the country where the land is low, the swamps are occasionally inundated by high tides, and the water is then prevented from returning, and is allowed to evaporate. The salt so produced is also brought to the Government stores, and sold in the same way as all other salt.

From 1850 to 1859, the salt duty was one *Rupee* per Indian maund, and the quantity sold was 49 *lacks* of maunds. In 1856 a Commission was appointed by the Government of India, and it made its report on the Madras salt monopoly. Mr. Plowden, one of the Commissioners, recommended that an excise duty should be substituted for the monopoly system, but nothing was done at the time to carry out this suggestion. In 1860 the duty was raised to one *Rupee* and two *Annas*, and the quantity sold in that year was 58 *lacks* of maunds. In 1861, the duty was again raised from 1 *Rupee* 2 *Annas* to 1 *Rupee* 6 *Annas*, and the quantity sold was 60 $\frac{3}{4}$ *lacks* of maunds. The increased duty was partly compensated by the diminished cost of conveyance, for in that year about 200 miles of the railway were first opened for traffic. This cir-

cumstance might partly account for the increased consumption notwithstanding the increase of duty. The duty was subsequently raised to 1 *Rupee* and 11 *Annas*. In the year 1868-69, the quantity sold had increased to 67 *lacks*. In the next year it fell off, because the duty was suddenly raised in October 1869 to 2 *Rupees* per maund. This sudden enhancement was made at a time when the Government of India apprehended a great financial crisis; it was made in the middle of the year, and for a time it checked the sale. The railway carried about $17\frac{1}{3}$ *lacks* of maunds of salt into the interior districts in 1870 at one-fourth the cost of bullock conveyance. In the year 1870, a final effort was made to adopt the suggestion of Mr. Plowden's Commission, and an act was passed assimilating the system of levying the salt duty in Madras with that of Bombay. The advantages of levying the duty as an excise instead of collecting it under the monopoly system are considerable, though the cost of collection is much the same under either system. The supply is more nearly adjusted to the demand when there is free trade, and people are allowed to manufacture salt themselves, than is the case under the monopoly system. Moreover, salt will be produced, and therefore sold, at a lower price under the influence of free competition than what the Government licensees now demand by reason of their monopoly of production. The excise system will however be introduced gradually in the Madras Presidency. It is to be tried in one district at a time, and slowly extended till it prevails throughout the Presidency.

Sir T. Pycroft stated that he did not recollect having heard any complaints as to the onerous character of this duty from the native inhabitants of any part of the Madras Presidency. Salt is not used to any great extent in curing fish in Madras ; people dry the fish in the sun without salt. Salt is occasionally given to cattle, but it is chiefly used for domestic purposes. In the Madras Presidency, wages are mostly paid in grain, and that quantity has not increased with the rise in prices, though the rise of prices has indirectly benefited the labourers. The wages of unskilled labour on the Public Works and the Railway are about 4 *Annis* a day, and the charge for the salt tax does not fall heavy on a labourer's family. About 15lbs. of salt per head of the population, taking young and old together, is a fair estimate of the consumption of salt throughout the Presidency.

The salt which pays duty at Madras supplies the native States of Mysore and Hydrabad with the quantity they consume, and no drawback is allowed on the salt exported to these native territories. The maritime State of Travancore manufactures its own salt, and also imports salt from Bombay. It provides itself with salt enough for its own consumption, and does not export. The prices are much the same there as in Madras, and there is no inducement to export it. There is an arrangement with the State of Cochin by which that State is made to charge the Madras price for the salt produced within its limits, and therefore there is not much salt that comes in thence. In the French territory, salt was manufactured many years ago, but on consideration of receiving 4 *lacks* of *Sicca*

Rupees, the French Government has given up its right to the manufacture, and now its supply of salt comes from Madras, and the French have bound themselves not to sell salt below the Madras rates. Madras salt also finds its way to Bengal on the confines of the two Presidencies near the Chillka lake. With the view of equalizing the duty in the two Presidencies of Bengal and Madras, the Government of India made several proposals to increase the duty on Madras salt, but these proposals have always met with strong opposition from the Government of Madras. The people of Madras are less able to bear a heavy salt tax than those of Bengal, because the country of Bengal is better favoured by nature than Madras, the rains seldom fail in Bengal, and its large rivers afford all the advantages of cheap and natural irrigation. In Madras, all crops which require much water depend upon artificial irrigation from tanks and channels and wells. The land assessment in Bengal is much lower than that of Madras, and food grain is much cheaper generally in Bengal than in southern India. The salt duty admits accordingly of no great enhancement in Madras.

If, however, the consumption be not materially diminished by the increase of the tax, the salt duty may be fairly enhanced. If this duty were wholly removed, the natural price of salt would be about two *Annas* a maund. The duty therefore of two *Rupees* a maund is about 1,600 per cent. on the value of the article, or, in other words, the price has been increased sixteen fold on account of the duty. The realizations of salt duty for 1868, when the duty was 1 *Rupee* 11 *Annas* a maund, were one crore and 10½ lacks of *Rupees*. In 1869,

the duty was increased 20 per cent. in the middle of the year, and the realizations were one crore and 16½ lacks of *Rupees*, or about 5½ per cent. only more than the amount realized in 1868. The proportionately diminished yield indicates a diminished consumption, or rather indicates that the consumption had reached its normal limits. The charges for collection absorb about 2¾ per cent. of the gross receipts minus the cost of manufacture, which will be *nil* when the excise system has been generally adopted. Including the cost of manufacture, the proportion of charges to the receipts was 12 per cent. On the Coromandel Coast, owing to the character of the surf, salt cannot be imported except at a loss. Imported salt cannot compete in those parts with salt manufactured on the coast. Madras is thus differently circumstanced from Bengal in this respect, for Bengal finds it cheaper to import salt than to manufacture it. When the excise system is fully adopted, the import duty would be fixed at the same rate as the excise duty, i. e., 1 *Rupee* 13 *Annas* per maund. There is little possibility of foreign competition in the Madras Presidency, unless the imported salt can be manufactured at a cheaper rate than 2 or 3 *Annas* a maund.

SALT REVENUE.

BOMBAY.

(MR. PEDDER.)

Mr. Pedder was appointed in 1869 by the Government of India on special duty to prosecute inquiries into the salt department of the Bombay Presidency, and it was chiefly at his suggestion that the salt revenue department, which was superintended by the Customs Commissioner till 1870, was made over to the charge of a special Collector. Mr. Pedder was examined by the Committee, and stated that the system of collecting the salt revenue in Bombay, unlike the system of Government manufacture and sale which obtained in Bengal and Madras till very recent times, has always, at least ever since 1837, been one of an excise duty supplemented in places by the levy of an import duty. An uniform excise system was first regularly introduced in 1837. Before that year, the duty was partly levied in the form of a transit duty on salt which passed from the salt districts, partly in the shape of an excise duty, and partly by charging a monopoly price at the various salt works which belonged to the Government. The transit duties were abolished in 1837, and in their place a duty of 8 *Annas* per maund of 82 lbs. was imposed in that year. When town duties and taxes on professions were abolished in 1844, the salt duty was raised to 12 *Annas*. In 1859, the duty was further raised to one *Rupee* per maund, it was again enhanced to one *Rupee* and a quarter in 1861, one *Rupee* and a half in 1865, and one *Rupee* and thirteen *Annas* in 1869. The Bom-

bay Government gave their consent to this final increase with great reluctance. They represented to the Government of India that the people of this Presidency had been subjected to much taxation which the people of Bengal had escaped, and that the consumption of salt had diminished with the increase of duty since 1843, which showed that a contraband trade in the article existed to a large extent.

In the northern part of the Bombay Presidency, the salt works are the property of Government, and Government pays a fixed price of one *Anna* and a quarter per maund for manufactured salt to those who contract to manufacture it in these Government salt pans. The people who manufacture salt are cultivators of land as well as those who live by salt making. In the rest of the Presidency, the prevailing system is that of a free excise on manufacture, and the manufacturers take out licenses to open works on their own lands. Any one that possesses land suitable for the evaporation of salt may apply for a license, which he gets as a matter of course, if he can show that there is likely to be a considerable demand for his salt. The present law empowers the Commissioner of Customs to suppress any work that does not produce 5,000 maunds per annum. This limit is fixed for the purpose of protecting the revenue. Since the constitution of a separate salt department in 1870, the Government of Bombay has adopted many similar measures of precaution with the intention of preventing smuggling. Many salt works in the Northern division have been closed, and a great central saltwork was opened at *Khara Gora*, and a light branch railway has been construc-

ted connecting this work with the B. B. C. I. Railway, along which line depots have been opened for the sale of salt at fixed rates. These reforms, and the close superintendence exercised in the preventive service, have resulted in a considerable increase in the revenue of nearly ten *lacks* in three years. The revenue was 63½ *lacks* in 1871, and had risen to 72 *lacks* in 1873-74, This revenue was chiefly obtained from the excise duty which yielded 68 *lacks*, while land and sea import duty brought in 3½ *lacks* in 1873.

The approximate estimate of salt delivered from the salt districts for consumption into the interior was 30 *lacks* of maunds in 1843-44, and, if Canara be excluded from the account, this amount has not much changed in the course of the last 30 years. Besides the districts of the Presidency proper, Bombay supplies salt to the Native States included in the Presidency, and to the Gaikwar's territories, for the Peishwa's Government reserved to itself the exclusive right of levying salt duty throughout its possessions, to which right the British Government has succeeded. The Berars, the Central Provinces, Malwa, the Nizam's Dominions, and Mysore, also receive their supplies from Bombay. The consumption of the Bombay Presidency is about 22 *lacks* of maunds ; 4½ *lacks* are supplied to the Berars and the Central Provinces, a *lack* and three quarters find their way to Malwa, and about 4 *lacks* go to Hyderabad Deccan and Mysore. Considerable quantities are exported to Madras and Calcutta by the sea.

The annual consumption per head of the population upon this estimate comes to be about 11 pounds, which is much below the average of 14lbs. ascertained

to be the normal amount required by the habits of the people. This low average shows that there is much salt consumed which pays no duty. Mr. Pedder estimates that this illicit consumption, if properly checked, would bring in *₹4 lacks of Rupees* as additional revenue.

Besides the salt manufactured by the process of evaporation on the sea coast, a large quantity of the best salt is produced from the saline deposit on the Runn of Cutch, some of which is naturally produced without manual labour, and the rest is manufactured by solar evaporation. Besides this Runn salt, much free salt is manufactured at Cambay, and in the Portuguese dominions of Goa and Daman. It is true there is a frontier duty levied on this salt when it enters British territories, but much salt escapes through the cordon without paying duty. The salt works, moreover, are distributed all along the coast, and in places very difficult to guard, in consequence of which much smuggling goes on unchecked. In Mr. Pedder's opinion, a system of free excise permits smuggling more than the system of monopoly such as that which obtained in Madras. Even when the salt works belong to Government, the manufacturer in this Presidency does not store the salt manufactured in Government warehouses as in Madras. He sells directly to the merchants, and the salt does not come into the possession of Government. The duty is paid not by the manufacturer but by the merchant, who purchases it from the maker, and pays the permit duty when he removes the salt according to the weight removed. The

salt is delivered to him by weight under the inspection of a Government officer according to the quantity specified in the permit order.

In the northern division of the Bombay Presidency, the salt belongs to Government, and the Government sells it to the merchants at a permanently fixed price, two *Annas* a maund. In the southern division, the salt belongs to private persons, and its price is fixed by an arrangement between buyers and sellers. The price varies from an *Anna* and a quarter to 3 *Annas*, according to the quality of the salt. In Mr. Pedder's opinion, the Madras monopoly system would be the most economical one, but it cannot now be introduced in Bombay as it would interfere with vested interests. The system which obtains in the northern portion of the Presidency admits of closer inspection than that which obtains in the southern division. As the salt works belong to the Government, salt can be stored, and the works inspected, and illicit smuggling prevented, more effectually in the northern than in the southern division where the works are scattered all over the coast. Mr. Pedder proposed as a remedy that the smaller works should be suppressed altogether so as to concentrate the manufacture as much as possible, and allow watchful supervision. As described before, the Government of Bombay has given effect to some of these proposals.

The salt revenue was 24 *lacks* of *Rupees* in the first five years commencing with 1844, when the duty was 12 *Annas* per maund. It rose to 45½ *lacks* between 1865-69 when the duty was 1 *Rupee* 8 *Annas* per maund. In the year 1869, the quantity of salt re-

moved was 33 *lacks* of maunds, and the duty realized was 59 *lacks* of *Rupees*. In 1870, when the duty was 1 *Rupee* 13 *Annas* per maund, the quantity of salt removed had risen to 37 *lacks* of maunds, and the duty realized was 63 *lacks* of *Rupees*. In 1873-74 the duty realized was nearly 72 *lacks* of *Rupees* of which sum, nearly 67½ *lacks* were realized by way of excise duty on salt removed from pans, about 2¾ *lacks* were excise duty on salt exported by land, ½ *lack* was realized from the salt removed by sea, about ¾ *lack* represented the annual value of the proprietary right of Government in the salt pans, and a quarter *lack* was received as the ground rent from salt pans.

In Mr. Pedder's opinion, the people hardly feel the weight of the tax, as the incidence of the duty is only 3 *Annas* 8 *pies* per head per annum, and there is no popular complaint against it. The average rate of wages of unskilled labour is 3 *Annas* per day. A good deal of salt is given to cattle, and much is used in curing fish. Salted fish is carried very largely into the interior. Little or no salt is used for agricultural purposes in this Presidency. If there were not such extensive smuggling, those who use salt to cure fish would be placed at some disadvantage in competition with the fishermen of Kattiawar and other foreign territories who have to pay no duty, but the illicit removal partly remedies this state of things. The salt duty might in Mr. Pedder's opinion be raised to two *Rupees* per maund in this Presidency. If it were raised above that limit, it would check consumption. The revenue might however be considerably increased by a strict system of inspection, which would put a

stop to all illicit consumption. If the duty were raised considerably, it would only encourage the importation of salt from across the frontiers of Rajpootana, the Portuguese dominions, and Kattiawar. The Rajpootana salt is manufactured in the same way as that of the Runn of Cutch. Smuggling is carried to the greatest extent on the Rajpootana frontier. In regard to the other Native States and the Portuguese possessions, a convention or treaty might be easily entered into with them analogous in some degree to the Zolleverin, by which smuggling might be greatly diminished. The Rajpootana States however would be very difficult to deal with. The increased duty seriously affects the interests of the fishermen in British territory, whose industry is thereby exposed to unfair competition. The only way to remedy this evil is to tax foreign fish as it was taxed before, when the temptation to smuggle would cease, or at least would not be so strongly operative as at present. Any reduction of duty, unless it was a descent to the old rates of 8 or 12 *Annas*, would not prevent smuggling. The excessive amount of smuggling which at present obtains is due not so much to the fact of the duty being oppressively heavy, as to the laxness of the system, and the little supervision exercised on the numerous salt works, as also to the circumstance that our districts run into native territories, and that free ports exist in the neighbouring Portuguese territories of Daman. A lower rate of duty would simply yield a less revenue without any compensatory advantage accruing therefrom to the tax-paying consumers of salt. The consumption has remained stationary for the last 25 years, while the revenue has doubled, notwithstanding

ing the illicit consumption which causes a loss^o of 25 per cent. Unless the tax is very heavy, the consumption of salt is much the same every year, and is not much affected by the price. The natural cost of the production of salt varies from $1\frac{1}{2}$ to 3 *Annas* a maund; —the present duty in this Presidency is therefore 1600 per cent. upon the natural price. This heavy duty puts it out of the power of fishermen living within the limits of the British territories to pursue an important branch of industry without having recourse to dishonest smuggling. It is true, foreign salted fish might be made to pay a heavy customs duty, and such a duty was levied in times past, but owing to the numerous creeks on the coast, it would be very difficult, if not impracticable, to levy this customs duty upon foreign salted fish without incurring an inadequate expenditure in the shape of a large establishment.

While admitting that the existing duty increases the temptation to smuggle illicit salt, and injuriously affects the honest fisherman's industry, Mr. Pedder still maintained it to be his view that it would be better to increase the salt duty in Bombay and Madras to the level of the present duty in Bengal, rather than impose new taxes which can only fall upon a small minority of the population. The salt tax is the only real tax on necessities that the people of India pay. And as to the alleged demoralizing effects of the tax in the encouragement it holds out to smuggling and dishonesty, Mr. Pedder urged that the Income Tax produced equal mischief. In fact, any other tax which might be suggested would be equally, if not more, objectionable than the existing salt duty. Increased taxation in

India means one of two alternatives, increased salt duty, or the imposition of a tax still more objectionable. No tax can be suggested less objectionable than an enhancement in the salt duty, if more money is wanted by the Government of India.

In the territory of Sind, salt is naturally produced everywhere, and the duty is consequently small, from 6 to 8 *Annas* a maund. In Rajpootana, the duty is levied by a system of transit duties, and if the salt travels over a great distance, the amount of transit duties comes to something considerable. A duty equal to the price is levied by the State where the salt is produced, and then it pays a transit duty on its way out to all the Native States through whose territories it passes. An uniform salt duty might with convenience and benefit to the Native States concerned be levied throughout India, and the native rulers would be but too glad to fall in with proposals by which their revenue would be so materially benefited. The Rajpootana and Malwa salt exported to foreign parts is for the most part produced from certain salt lakes, and has to be manufactured into a state fit for consumption. Natural salt is also produced there at little or no cost, but it will not bear long travelling.

SALT REVENUE.

N. W. PROVINCES.

(MR. MONEY.)

The most productive salt sources in these Provinces are to be found in foreign territories, in the Rajpootana States of Jeypoor and Bharatpoor, and for many years past the duty has been levied by forming a frontier land customs line of 1,800 miles, intercepting the salt while on its way from the Rajpootana territories to the N. W. Provinces, as also the sugar which passes from the British territories into Rajpootana. The establishment on this line consisted in 1866-67 of 11,000 men, and the annual cost was $11\frac{1}{2}$ lacks of *Rupees*, and the revenue realized was one crore and forty lacks. In 1866, it was 1,43,00,009 *Rupees*. The salt chiefly comes from the Sambhoor lake, and has on its way to pay a duty of two *Annas* a maund at Jeypoor, 5 *Annas* and 4 *Pies* a maund at Bharatpoor, two and a half *Annas* at Tonk, 4 *Annas* and 4 *Pies* at Boondee, and so on through the other States before it reaches British territory. Besides the Sambhoor lake supply, salt is found in the Bharatpoor territory, and in the British territory thirty miles from Delhi, at a place called Sultanpoor. Lahore salt comes from the Punjab, and Bengal salt comes up to Allahabad. The Sambhoor lake salt is preferred by the natives above all other varieties. No arrangement has been entered into with the Native States by which the frontier line might be given up, and no arrangement is possible till the railway is opened to Sambhoor lake. As a beginning of this new

policy, the management of this lake supply under a lease from the Native State of Jeypoor has already been taken over by the British Government into its own hands.

The salt duty is three *Rupees* per maund, and Mr. Money stated that the tax was not felt to be oppressive, that he never heard a single complaint against it, and further that the duty on salt might be safely increased to 3 *Rupees* and 4 *Annas*. Though the Sultanpoor salt works near Delhi belong to the Government, the tax is collected as in the case of Rajpootana salt by the levy of a transit duty on salt crossing the line, which is between the salt works and British territory. A man consumes 8 lbs. or 4 *Seers* of salt a year, and as taxed salt is sold at Allahabad at 8 *seers* for a *Rupee*, this calculation would give 8 *Annas* as the charge which a single individual has to pay for his consumption all the year round. The general rate of wages is from 4 to 5 *Rupee* a month in the N. W. Provinces. The jail allowance to prisoners is 7 lbs. of salt throughout the year.

Independently of the Sambhoor lake, Bharatpoor, and Sultanpoor salt, there are besides in the N. W. Provinces and Oudh many saliferous districts, where people get salt for their domestic use by merely scratching the ground, and pouring water over it, which, when evaporated, leaves edible salt behind. Strict regulations have been enforced to put a stop to the domestic manufacture of salt so spontaneously produced without cost, because it interferes with the revenue. The prime cost of Sambhoor lake salt is 9 *Annas* per maund at the lake, of the Bharatpoor salt from 6 to 8 *Annas* a maund, and that of the Sultanpoor

works varies from 3 to 4 *Annas*. The price of taxed salt of course increases with the distance from the frontier. At Allahabad it is five *Rupees* a maund, but if there had been no salt duty, the natural price of salt near Allahabad would have been only 4 or 5 *Annas* a maund. The duty is therefore a tax of 2,000 per cent. upon the natural price. There are no treaty arrangements with Native States analogous to a *Zolleverin*, and the question of transit duties is left entirely to the regulation of the individual Native States. The Native States, besides the transit duty they levy on salt passing through their territorial limits, do not impose any duty upon the salt consumed by their subjects. The consumption of salt is not much affected by dear or cheap prices. The people consume the same quantity in good or bad years, and the amount of duty makes no difference as regards the quantity consumed. Salt is not wanted in the N. W. Provinces except for purposes of food, and taking more salt than usual would be distasteful. The salt duty might in Mr. Money's opinion be safely increased in the N. W. Provinces to 3 *Rupees* 4 *Annas* a maund to make it equal to the Bengal scale of duty. There is no other tax which can be made equally to reach all classes like the salt duty. As soon as the railway line to Sambhoor is completed, the cost of carriage will be diminished to a quarter of what it is at present, namely, a *Rupee* per maund from Sambhoor to Agra, a distance of 180 miles.

Since the opening of the Nagpoor Railway, Bombay salt has displaced the Sambhoor lake salt which used to be consumed in the Central Provinces before.

Of late in certain places, notably Jawnpoor and others within the Customs line, people have been allowed to manufacture salt on payment of a duty of 3 *Rupees* per maund, but the experiment has proved a failure. The excise system is not practicable in these provinces, because the salt supply in the shape of the saliferous deposits is scattered over thousands of square miles in small quantities, and it would be impossible to guard the manufacture, and ensure the payment of the duty. The levy of a transit duty on the frontier Customs line is the only safe method of obtaining a revenue from salt in these provinces. The merchants who want to import salt go to Agra or Delhi, and obtain passes by payment of duty, and with these passes in their possession, they are allowed to bring any quantity of salt which may be covered by the pass. There is not much smuggling along the line. The illicit trade within the Customs line has been entirely stopped. Illicit manufacture for private consumption goes on as before, though it is very jealously watched by a special establishment. The incidence per head of the salt duty is so small that it is a matter of no great consequence whether the duty is a thousand per cent. on the produce price, or two thousand per cent., for the poorest person does not feel the difference.

SALT REVENUE.

PANJAB.

(SIR D. F. MCLEOD).

The gross salt revenue realized in 1869-70 for the whole of the Punjab Provinces reached a total of 92 *lacks* of *Rupees*, of which sum about 42 *lacks* represented the yield of a land customs duty levied on the frontier line extending from Sutledge in the north to the confines of the N. W. Provinces, and about 38 *lacks* were realized from the salt mines north of the Sutledge. Besides these two sources of supply, there are also the Kohat mines across the Indus which produce an inferior salt called black salt, from which the realizations were about 80,000 *Rs.* The Government is the sole owner of all the salt mines in the Punjab, and employs its own men to excavate salt. The cost of this operation is but slight, about 2s. 2d. per ton, and the Government charges a duty of 3 *Rs.* a maund on the salt so excavated to the merchants who come to the mines to purchase the salt. The salt so excavated is exceedingly pure, and requires no preparation. The supply of the mines is practically unlimited, and will last for generations. Salt from the mines is conveyed on the back of camels to Amritsar, a distance of 150 miles, from which city it is distributed all over the country. It is also carried by rail to Delhi, and further on to Oudh. The rivers of the Punjab are very impracticable for navigation, and cannot compete with railways. From the mines situated on the Jhelum river, some salt is floated down that river to Multan. The trans-Indus salt is as pure as the Punjab salt,

though it is of a greyish colour. A duty varying from 6d. to 1s. per maund is levied on this trans-Indus salt from the Kohat mines. The duty has not been raised from political considerations, and a considerable quantity of the salt goes to the Chiefs in whose territories the mines are situated. This salt is moreover not allowed to come over to the Punjab side of the Indus, where it is treated as a contraband article, and is at once confiscated, and the person on whom it is found is punished. The territories to the north of the Sutledge are supplied entirely from the mines. South of the Sutledge, the Rajpootana salt, coming chiefly from the Sambhoor lake, is the chief source of supply to the great districts of cis-Sutledge, Hissar and Delhi, and it is this salt which pays the land customs duty of three *Rupees* per maund.

The duty was increased in 1870 to 3 *Rs.* 1 *Anna* both on the rock salt of the mines, as well as on the salt which comes from Rajpootana. The price of the Rajapootana salt is 1d. per pound near the frontier, and increases to 3d. as it travels further, till it meets at the Sutledge the rock salt of the mines, where the prices of both kinds of salt are equal. As the facilities of conveyance are increasing, there is a decided tendency at present to send the rock salt, which is much more pure than the Rajpootana salt, more and more to the south to the displacement of Rajpootana salt. Cashmere and some of the foreign territories receive their supply of salt from the Punjab mines. The annual yield of the mines is estimated to be 120 millions of pounds, which gives to a population of $13\frac{1}{2}$ millions an average of 9 lbs. per head. Mr.

Hume, the Commissioner of land Customs in the Punjab Provinces, estimates $8\frac{1}{2}$ lbs. as the average consumption of salt per each adult head of the population in the Punjab, the N. W. Provinces, the Central Provinces, and Oudh, and half that for each child, which would give from 6 to 7 lbs. as the average per head, exclusive of cattle. At the same time it is calculated that each working man requires about 12 lbs. of salt per annum for his consumption to ensure proper health and comfort, which quantity is thus nearly double of what he actually consumes at present. Sir D. F. McLeod stated however that 7 lbs. per head sufficed for the people of the Punjab as they ate little of spices or stimulants. The wages of unskilled labour are about 3d. a day, and the labourer has thus to pay on an average $6\frac{1}{2}$ d. by way of salt-tax per annum.

The Rajpootana salt on its way to the Punjab pays transit duties to the many Chiefs through whose territories it passes. These duties however are not heavy, for if these chiefs were to levy a heavy duty, the Punjab customs line would have no existence. Arrangements have been recently made by Lord Mayo to take the management of the Sambhoor lake into the hands of the British Government, and it is proposed to build a railway to the lake.

As regards the rock salt of the mines, there is little or no smuggling. The tax does not press heavily upon the population. The duty does not act as a deterrent to those who purchase it for consumption. In 1849-50, the first year after the conquest when the duty was 2 Rs. per maund, the salt mines yielded 3,40,000 maunds, on which a duty of 8 lacks of

Rupees were realized. Next year the yield was $7\frac{3}{4}$ lacks of maunds, and the revenue derived under our more systematic management rose from 8 lacks, at which figure it stood in 1849, to $15\frac{1}{2}$ lacks of *Rupees* in the second year 1850. In 1857-58, the Sutledge frontier land customs duty was first imposed. In 1860, when the duty was further raised to 2 *Rs.* 2 *Annas*, the yield of the mines was 13 lacks of maunds, and the revenue realized was $27\frac{1}{2}$ lacks against $21\frac{1}{2}$ lacks of *Rupees*, which was the revenue for 1859-60. In 1862, when the tax was further raised to 3 *Rs.* there was an apparent falling off in the revenue, the yield was only 10 lacks of maunds, and the revenue realizations did not exceed 28 lacks of *Rupees*. Since then the deficiency has been made up, the yield was 15 lacks of maunds, and the revenue 42 lacks of *Rupees* in the year 1869-70. It must be stated here that the population of the Punjab, which was $14\frac{3}{4}$ millions in 1856, rose to $17\frac{1}{2}$ millions in 1868, when the second census was taken, the increase being 30 lacks in 12 years. These figures show that the duty does not act as a deterrent to the free growth of consumption, and the same inference is borne out by the fact that there is so little smuggling. The increase of consumption has been 100 per cent., though the population has only increased 20 per cent. The cost of salt is so very small that there is no appreciable effect produced upon the quantity consumed by any increase of duty. The average pressure per head is at present $6\frac{1}{2}$ d. per annum, and 2d. or 3d. more would make no difference. Sir D. F. McLeod stated however his belief that in levying a duty of 3 *Rs.* 1 *Anna* per maund we have reached the just limit, and it would not be advisable to go beyond unless un-

der great financial pressure, when however, in justice to Punjab, the duty should be raised all over India.

In Oudh, a very large quantity of earth salt is produced. Salt is also similarly made in the Bharat-poor and Gwalior territories. The cost of collecting the salt revenue in the Punjab is considerable, and amounts to 7 *lacks*. This expenditure is chiefly incurred on account of the establishments guarding the preventive line to the north of the Sutledge, which prevents the rock salt from going eastwards, and also the land customs line on the right bank of the Sutledge which admits the Rajpootana salt. The salt tax is not at all oppressive, and if the exigencies of the state required it, the duty might in Sir D. F. McLeod's opinion be increased to 4 *Ruppes* a maund without creating any discontent or destroying the confidence of the people. Sir D. F. McLeod stated that he knew of no tax which was less likely to create a sensation among the people than the salt tax, though he would himself as a matter of policy consult the native populations first before enhancing the duty.

SECTION VI.

CUSTOMS REVENUE.

The revenue derived from sea Customs duties on imports and exports exceeds two and a half *crores* of *Rupees*. The history of the legislation on this subject was given in considerable detail by Sir H. B. Frere. Down to the year 1846 there was no general Customs Act, and there was a considerable variation in the practice of the different Presidencies. About that time, owing to the pressure which was brought to bear upon the Court of Directors by Manchester men, several reforms were promised in the Customs arrangements, and within about 2 years from that time, the coasting duties upon articles carried from port to port, and the double duties levied upon foreign bottoms, were abolished. In February 1857, Lord Canning, immediately before the Mutinies, requested the sanction of the Court of Directors to the enactment of a general Customs law, with a view to compensate the State for loss incurred by the abandonment of the Mothurfa tax in the Madras Presidency, (which had not been relinquished there when it was abolished throughout the other Provinces about the year 1844-48,) and also with a view to reduce the salt tax in Bengal. It was also proposed to equalize the duties on British and foreign goods, as well as upon manufactured and unmanufactured goods, to exempt a great number of small articles which produced little or no revenue, to abolish the export duties, and at the same time augment the import duties. The Mutiny intervened, and the suggestions of Lord Canning were not attended to by the India Office till April 1859, when, under the

pressure of the annual deficits caused by the Mutinies, Lord Stanley sent out a Despatch relating to the Customs revenue. The Indian Government was directed by this Despatch not to give up any existing source, however small, of Customs revenue. The export duties were not to be abandoned, on the contrary they were ordered to be increased in the case of indigo, saltpetre, borax, and other articles of which it was supposed India had a practical monopoly in the world's market. The proposal for the equalization of foreign and British duties was sanctioned, but it was to be carried out by raising the duties on British goods to the foreign rates. The distinction between the duties on manufactured and unmanufactured goods was to be maintained. The long list of duty-paying articles which yielded little revenue was to be retained as before, and as regards the increase of import duties, the Despatch directed that the duties should be raised to $7\frac{1}{2}$ per cent. all round on raw and half manufactured produce, to 10 per cent. on manufactured goods, and 20 per cent. on luxuries, and it was also suggested that instead of levying the duties *ad volorem*, the rates should be fixed on weights and measures of the commodities taxed. Lord Stanley calculated that by the adoption of these changes, the Government of India would obtain an increase of 75 *lacks* of *Rupees* of annual revenue.

While this Despatch was on its way to India, the Government here had already passed their first general Customs Act of 1859, in which the duties were by anticipation raised to the pitch directed in the

Despatch from the Secretary of State ; and the act contained also retrospective clauses which made the new rates applicable to contracts made under the old law, and charged the burden of the duties on the buyer. This act provoked some opposition from the European mercantile community, especially in Bombay. When the Despatch from the Secretary of State reached Lord Canning's hands, he could write in reply that the orders received had in effect already been carried out in most respects, except that the duty on cotton yarn was not raised beyond 5 per cent, while a 10 per cent. duty was levied on unwrought metals, and 20 per cent. was levied on beer, tobacco, and spices. The duties on exports had not been increased except on grain, and reduced duties were for special reasons levied on raw silk and tobacco. Subsequent to this date, Mr. Wilson was sent out as Financial adviser to the Government of India, and he was told to pay his particular attention to the subject of the Customs duties which had been much complained of by the mercantile communities as bearing heavy on the trade. In 1860, the Government of India imposed a general 10 per cent. duty on cotton yarn, piece goods, and articles of millinery and hosiery, instead of the varying rates which obtained under the Act of 1859. The direction to levy duties on the quantities instead of on the values of goods was not carried out except in the case of spirits and liquors.

Mr. Wilson found on enquiry that there were great discrepancies in the practice of the three Presidencies as regards the Tariff of valuations on which the duties were levied. A Committee was accordingly appoint-

ed in 1860, which met at Calcutta to consider the possibility of having an uniform Tariff for all India. Mr. Spooner, the Customs Commissioner of Bombay, Mr. Bullen, a merchant of Calcutta, and Mr. Ashley Eden, Secretary to the Bengal Board of Revenue, were placed on this Tariff Committee. This Committee made its report in October 1860, and suggested a scheme of one uniform Tariff for all India, and several other Customs reforms. In 1867, another Tariff Committee was appointed, consisting of Mr. Bellasis of Bombay, Mr. Blair, as representative of the Madras Government, Mr. Crawford and Mr. Schiller, as representatives of the mercantile community of Calcutta; this second Tariff Committee submitted their report in the same year re-commending a revised Tariff of valuations calculated to meet the changes in prices which had occurred since the date of the last Tariff Committee's report.

The result of the labours of these Tariff Committees was seen in a new classification of articles by which 97 imports and 9 exports were alone retained on the list of duty-paying articles, and all articles not enumerated in the schedule were declared to be free from duty. The small loss caused by the abandonment of the duties levied on these petty articles under the old system was made up by a new charge on the export and import of grain. In 1869, there was another Tariff of valuations. In 1870, a general Customs Act was passed, the principal features of which were that a $7\frac{1}{2}$ per cent. import duty was levied on manufactured goods and raw-material, $3\frac{1}{2}$ per cent. on twist, 5 per cent. on fine goods, one per cent. on iron, and 10 per cent. on to-

bacco. On exports, the duty was 3 *Rs.* a maund on indigo, 3 *Annas* a maund on grain, 4 per cent. on lac, and 3 per cent. on oil-seeds, cotton goods, hides, and spirits. Since then another Act was passed in 1871, and the present Customs duties are levied under the Indian Tariff Acts 13 and 14 of 1871, which contain schedules specifying the value on which duty is levied, as also the rate of duty levied. These Acts effected certain reductions, the general result of which is that, where the former rates were 10 or 15 per cent., under these acts the general import rates have been reduced to 5 and $7\frac{1}{2}$ per cent. This is in brief the history of the legislation on the subject of Customs revenue.

In 1846, the Customs revenue was one *crore* and 36 *lacks* of *Rupees*, of which sum Bengal contributed 17 *lacks*, Bombay 20 *lacks*, Madras 15 *lacks*, and the N.W. Provinces yielded $13\frac{1}{2}$ *lacks*. The charges for collection amounted to $18\frac{1}{2}$ *lacks*, thus leaving a net income of one *crore* and 18 *lacks*. The Customs revenue in 1856, ten years after, did not show any improvement, the gross revenue was only one *crore* and twenty *lacks*. In 1859-60, under the heavy duties then imposed by Act 7 of 1859, the revenue rose to 3 *crores* and 20 *lacks*, the highest ever realized. Ten years after, the return for 1869-70 showed a fall-off, the yield was only two *crores* and 43 *lacks*, out of which sum the charges for collection amounted to 18 *lacks*, and the net receipts were thus reduced to about two *crores* and 24 *lacks* only. In 1870-71, the gross Customs revenue was 2 *crores* and $65\frac{1}{2}$ *lacks*, out of which sum $19\frac{1}{2}$ *lacks* represented the charge for collections.

The relative order of the Presidencies in regard to the Customs revenue has undergone no great change since 1846. Bengal still leads the van, its Customs revenue, which was 77 *lacks* in 1846, had risen to one *crore* of *Rupees* in 1869. Bombay however has nearly bridged over its immense difference in the interval of 20 years, its Customs revenue, which was only 30 *lacks* in 1846, amounted to 84½ *lacks* in 1869, only 13 *lacks* less than Bengal. The North-West Provinces, having no sea-border, are nowhere in the field. Their respectable appearance in 1846 is due probably to the fact that, in the old statement, the salt revenue was regarded as Customs revenue in that part of India. Madras has kept its respectful distance as before. Its Customs revenue has risen from 15 to 27½ *lacks*, while Burmah, owing to its timber trade and rice duties, has been enabled to contribute 20 *lacks*. The Punjab and the North-West Provinces made up, chiefly by means of transit duties or land Customs, about a *lack* and quarter between them. The proportion between the import and export duties is different from province to province. The total import duties came to about 1½ *crores*, while the total export duties were only half a *crore* in 1869-70. The export duties in Burmah produced 14½ *lacks* against 5½ *lacks* of the import duties. In Bengal, the export dues yielded 20 *lacks* against 70 *lacks* of import duties. The proportion is the smallest in Bombay, it showed a total of 77½ *lacks* of import duties against only 5 *lacks* of export dues.

In view of the slight income derived from the export dues, and their prejudicial effects in preventing the development of our foreign trade, Sir Bartle

Frere expressed his opinion, and both Mr. Bullen and Mr. Cassels agreed with him on this point, that it was extremely desirable to abolish the duties on exports altogether, whenever the financial state of the country might admit of this reduction. This reform might in their opinion be carried out with very little loss of revenue. There are doctrinaires and publicists in India who advocate the general abolition of all Customs duties, and Mr. Cassels, as the representative of this school, was examined at great length by the Committee. Sir Bartle Frere however laughed down their suggestions, and described this proposal to be a millennial sort of reform, the practical consideration of which was precluded as long as the Indian Government was not in a position to abandon nearly two *crores* of its present certain income. Sir B. Frere at the same time hinted that the Government of India were fully alive to the necessity of exempting the numerous duty-paying articles which yielded but little revenue, but they could do nothing in the matter as their hands were at present tied by their financial difficulties.

With regard to the question whether the Customs revenue might not safely be increased to the maximum amount which was realized in 1859-60, Sir Bartle Frere went to the root of the matter, and pointed out that the increase might easily be made by increasing the import duties on piece goods and yarns. But here the interests of India and of England were in conflict. The Manchester men will not bear the idea of increasing these import duties, the effect of which would be to diminish the consumption of their goods, and stimulate production on the spot.

This is the real difficulty. The Government of India will not risk the displeasure of the cotton interest. Of course a philanthropic reason may also be assigned for keeping the duties low on piece goods and yarns in the interests of the poor classes of Indian consumers, who have every right to be allowed the choice of the cheapest market in regard to their clothing supply. Articles of necessary clothing are in this view certainly not the sort of commodities which should be selected for taxation, if it can be possibly avoided.

There is however no such plausible excuse for the retention of export duties which bring little revenue, and have such a discouraging effect on our foreign commerce. By the general abolition of all export duties, the foreign trade of the country would receive a great stimulus. Moreover it should not be forgotten that India has not such a monopoly of any one of its exports as to enable it to retain its hold on foreign countries in spite of the duty. The heavy duties on saltpetre have strangled that trade, and the existing duties on indigo threaten to produce the same effects. As regards the history of our saltpetre trade, down to 1860 it was supposed that India had a natural monopoly of saltpetre. It is a natural product of the soil in many parts of Northern India, being found wherever there is much animal matter mixed up with the ordinary soil of the country, notably in places of old ruins and former habitations. Mr. Wilson, from a false notion that India was the only country whence the supply of saltpetre or its commercial equivalents could be obtained, imposed a heavy duty on the export of this article, which measure was strongly protested against

at the time both in India and in England. One effect of the Government of India's interference in this matter (in the shape of levying a heavy duty on the article in 1859) was that before long the manufacturers of Belgium discovered a 'cheap process of making saltpetre artificially. This artificial substitute is a combination of muriate of potash and nitrate of soda, and is produced at almost as low a price as the natural saltpetre of India, even when freed from duty. The demand for Indian saltpetre in the European markets has declined in consequence, and India has never regained its lost ground, although the duty has been removed long ago. The duties on indigo have similarly encouraged production in Java, Central America, Jamaica, and the West Indies, which send indigo free of duty. Between artificial dyes and improved indigo coming from these competing countries, the Indian indigo, though of a finer quality, will have a hard race to run. The Madras indigo, which is of an inferior quality, has already suffered most by this levy.

The export duties on Burmah rice place British Burmah at a considerable disadvantage in competition with its neighbours of Siam and other rice-producing countries. Since the increase of duty from two to three *Annas* a maund, which represents a charge of nine or ten per cent. on the value, the Burmah rice trade has fallen off considerably. The Indian duty-paying rice comes in competition in foreign markets with free rice produced elsewhere, and the duty falls on the grower in addition to the land tax. Mr. Crawford, one of the members of the 'Tariff Committee of 1867, was

strongly opposed to the export duty on rice, generally on the ground that all export duties were indefensible except under the pressure of a great State necessity, and specially for the reason that the new duty on grain was a great wrong, and was a violation of all the recognized principles of political economy which should govern the conduct of the State in such matters. Sir Bartle Frere expressed his entire concurrence with these views, though they were opposed to the views of the other members of the Tariff Committee.

At present export duties are levied on cotton goods, grain of all sorts, hides and skins, indigo, lac, oil seeds, and spices. The injurious operation of these duties in regard to salt-petre, indigo, and grain has already been specified. The three per cent. duty on linseed is a heavy charge, especially as India has a formidable competitor in Russia in the European markets. These duties have produced the same injurious effect on the trade in hides and skins, in which India has formidable competitors in the American South Atlantic States and Australia. In the case of borax, India has competitors in Italy, Chili, and China. Every kind of Indian timber is run after in the race of cheapness more or less closely by timber imports from other countries. Belgian salt-petre, indigo from the West Indies and Gautemala, rice from Siam and Cochin China, hides and skins from South America, borax from Italy and Chili, linseed from Russia, these articles of export pay no duty in their own respective countries. In fact, no other country in the civilized world ever taxes its own exports in the way the Bri-

ish Government taxes them in India. One result of the Indian trade being thus weighted is, that it places India at a relative disadvantage in its trade with other countries, and prevents its export trade from expanding freely.

As regards the present import duties in general, they are, in the opinion of Sir B. Frere, almost as low as they could well be consistently with the intention of getting any revenue at all from Customs. Every-body in India, poor and rich, pays the import duty on clothing. None is so poor as not to be able to purchase the articles of foreign-made cloth which Manchester sends out in yearly increasing quantities. There are yet a few inland districts where most of the cotton cloth is of native manufacture, but generally the English imports are driving out the native manufactures throughout the country. The English trade gives cheap clothing to the natives, but the cloth is not so substantial as the native cloth. The native manufactured cloth is made of heavier yarns, while the weight of Manchester goods is made up artificially by a good deal of filling or size, more than what is necessary to enable the yarns to be woven, which system of filling leads to the rotting and mildew so much complained of in the trade. Moreover, this foreign supply displaces a certain amount of native industry; the process of substitution therefore cuts both ways, and is not wholly beneficial to the people of India.

The fact seems to be, though Sir B. Frere did not say as much in plain words, that if Indian interests alone were considered, it was most desirable to

get rid of all export duties as soon as possible. The loss caused by their abandonment could be easily made up by enhanced duties on the imports of piece goods. The Indian Government, although fully alive to the wisdom of this general policy, will not risk the displeasure of Manchester men by sanctioning an increase in the import duties, and cannot therefore give up the 50 *lacks* of revenue derived from the exports. A tax on the imports of Manchester piece goods is financially recommended by every consideration. Piece goods constitute the bulk of our taxable imports, and a tax on clothing would reach large numbers of people, and would therefore be eminently productive, while its actual incidence per head would be so trifling that it would not be felt sensibly by any one.

On this point the mercantile witnesses, Mr. Bullen and Mr. Cassels, differed from one another in their opinions as to the pressure of the present duties on the imports of piece goods and yarns. Mr. Bullen said that the five per cent. duty on piece goods was unobjectionable. Lord Canning had levied once a ten per cent. duty, the effect of which was that in the Bombay Presidency a very large amount of capital was forth-with invested in spinning and weaving mills. In Bengal, although this industry was not developed, yet the natural increase of the trade was checked for some time. There are only one or two spinning and weaving mills in Bengal, out of which only one pays a dividend of 10 per cent. Mr. Bullen however thought that the $7\frac{1}{2}$ per cent. import duty on metals was very high. This duty does not act

as a protective duty in the interests of the manufacturers of India, for as yet there has been no importation of copper articles into Bengal, the native manufacture being both cheaper and more adapted to the native wants than anything that England can send out there. There is a variety of iron stone ground in India from which a superior description of iron is smelted. Iron ore however does not abound in India, at least not near places where fuel is available. The one per cent. duty on iron ore, pig iron as well as iron bars and sheet iron, falls upon the consumer. There is a $7\frac{1}{2}$ per cent. duty on ironmongery, including cutlery and agricultural instruments, which are imported in considerable quantities. The armours and military weapons of India were once considerably celebrated all over the world, but this manufacture is gradually dying out, although even at this date superior articles of cutlery are made in many parts of India.

Mr. W. Cassels, lately a merchant of Bombay, was examined as the representative of the party which advocates the entire abolition of all Customs duties. These duties, he said, were opposed to all the received principles of taxation, and were besides very inconvenient, as they hampered trade considerably without bringing in a large revenue to Government. As the Government was however not prepared to abandon the whole of its customs revenue, Mr. Cassels suggested that, among the export duties, the duty on rice exported from Burmah, which amounted to 14 per cent. on the price, was open to the strongest objections. The duty on oil-seeds also was objectionable as it checked the development of the export trade of

India in that article. The excess of production over consumption was the key to and the measure of the prosperity of India. Export duties which checked production were therefore a great public evil. As regards import duties, Mr. Cassels objected to the five per cent. duty on piece goods and $3\frac{1}{2}$ per cent. on yarns, as they acted like protective duties, and enabled the Indian manufacturer to compete with Manchester on favourable terms. Mr. Cassels suggested an enhancement of the land revenue, which is not a tax at all, but is of the nature of rent, as the ready resource out of which the loss caused by the abandonment of our Customs revenue might be made up. If the land tax cannot in any district be enhanced by reason of its being permanently settled, the settlement must be done away with, and where there exists no such bar, the assessments should be raised as the resettlements take place. Mr. Cassels said that if the import duties on piece goods must in the present condition of the finances be retained in the interests of public revenue, he would advocate a tax on Indian manufactures, which might be made equal to the pressure of the import duties on the English trade, so that the protection they now afford to native manufactures would cease. Mr. Cassels illustrated the protective character of the present duties by pointing out the fact that there are at present (1870) in the Bombay Presidency 12 mills, which employ 3,19,314 spindles, 4,199 looms, and 8,170 hands, and consume about 60,000 bales of cotton of 400 lbs. each annually, and return from $5\frac{3}{4}$ to $9\frac{1}{4}$ per cent. profits, and produce very good cloth and good yarns, although of the lower numbers only. There were

19 mills in working order in the Bombay Presidency in 1873-74, and they employed 13323 hands, 524530 spindles, and 6103 looms, and consumed about 1,13,302 bales of cotton of 400 lbs each.

The entire system of protective duties was, in Mr. Cassel's opinion, bad in principle, for that which cannot protect itself does not deserve protection. Most of the Mofussil mills are found in the three chief cities of Guzerath, the one at Broach was established in 1854, and the Ahmedabad mill was established in 1867. The cloth produced in all these Bombay mills is quite equal in certain respects to the cloth imported from England, and is sometimes really preferred by the natives, because the turn-out of these mills consists of really very pure made goods, while the English goods are generally starched and contain much filling. Of late however, the evil example of English adulteration has re-acted on the Indian mills, and already complaints have been rife that the old honesty of native manufacturers has not been able to resist the temptation of artificially increasing the weight of their cloth. Even if the Manchester goods were admitted free of duty, Mr. Cassels said he was of opinion that these Bombay mills would still continue to be profitable to the proprietors. They enjoy the great advantages of having cotton that has been saved a double journey, and a market at their doors; these advantages more than outweigh the superiority which the English mills possess in the fact that the cost of labour and of machinery, and of the fuel consumed, is comparatively higher in India than in England. Mr. Cassels had no doubt on the point

that, taking all things into consideration, the Indian mills could compete with Manchester without the artificial help of the import duties. The English and native goods of the same quality and weight fetch, generally speaking, equal prices; in some instances, however, a higher price is paid for the native than for the equivalent English weight of cloth. The English imported piece goods are, some kinds of them at least, very largely used by the great mass of the people in India because of their cheapness. In case the Customs duties were abandoned, Mr. Cassels suggested that, besides an increase in the land revenue, recourse might be had to a moderate income-tax which did not reach too low, for such a tax, notwithstanding all the outcry against it, was quite unobjectionable in principle. He would not hear of any addition to the salt tax because it was a tax on the poor, and the poor in India are very heavily taxed already, not absolutely, for they are very well off, and can bear additional taxation, but relatively to the richer classes, who are wholly free. During the years of the cotton famine, the extra price paid by Great Britain to India has been estimated to exceed one hundred millions sterling. The high prices which Indian cotton then obtained in the English market has led to some improvement in the cultivation and in the quality of the cotton grown, but the increased facilities of sending the cotton afforded by the railways, and the care taken in the cleaning and packing of it, have chiefly enabled the *Ryots* to send it in a much better condition than before, when cotton was stored in the open air, and lay exposed to the damp for days and months

together, and became discoloured, and suffered much injury also in the long journeys on the backs of bullocks.

Notwithstanding the high duties levied on Indian trade, the Bombay Customs House affords a very insufficient accommodation to the trade of the port. No ship can come along-side the wharf; all goods have to be landed in *Bandar* boats, thus causing serious loss and expense. The private companies who own the *Bandar* shore have become a source of great inconvenience to the public. Mr. Cassels finally admitted that his objection to all Customs duties was a general objection on principle to the policy of deriving any revenue from the Customs dues, and applied to all countries. His specific objection to the Customs duties in India was that they hampered trade with very little advantage to the State.

The foreign trade of India at the present day may be taken in round numbers to be about 100 millions sterling, and the coasting trade to be about 25 millions sterling. The value of the foreign trade of British India stood at 7 *crores* in 1813, 14 *crores* in 1834, 125 *crores* in 1865-66—the largest total ever reached; it declined in 1867 to 95½ *crores*, in 1868 it stood at 101 *crores*, in 1869 it rose to 105 *crores*, and it fell again to 100 *crores* in 1870. Of these 100 *crores*, taking the average of the four years (1867-70), about one-third or 33 *crores* is the value of imports, about one-half or 52 *crores* is the value of the exports, about 14 *crores* is the value of the treasure imported, while treasure exported represents a *crore* or a *crore* and a half. During the last four years

(1870-1874) the grand totals of imports and exports both under the head of merchandize and treasure show a still further decline, as will be seen from the following statement ;—

Years.	IMPORTS.		EXPORTS.	
	Merchandize.	Treasure.	Merchandize.	Treasure.
1870-71	38,85,87,288	5,44,48,281	53,55,16,812	2,21,07,946
1871-72	42,95,95,608	11,57,38,129	61,69,62,252	1,47,60,925
1872-73	35,81,81,404	4,55,65,850	53,44,04,838	1,28,80,750
1873-74	38,38,61,424	5,79,25,836	53,11,44,194	1,91,40,711

SECTION VIII.

OPIMUM REVENUE.

(BENGAL.)

On the subject of the revenue derived from the opium trade with China, which next to our land revenue forms the main stay of British Indian Finance, the Committee examined a considerable number of witnesses, who were qualified to speak on the subject by reason of their long connection with India in the various capacities of administrators, political residents, missionaries, news-paper editors, travellers, and merchants both of India and China. I propose in this place to sum up the evidence received by the Committee regarding the opium revenue of Bengal, or rather of the Behar and Benares divisions of Gangetic India, which provinces contribute by far the largest income under this head. Sir Cecil Beadon, late Lieutenant-Governor of Bengal, was the first witness examined. He stated that the system which at present obtains in Bengal, or rather in the Gangetic Provinces generally, has been in existence ever since the commencement of British rule in that part of India, and under its influence the production of opium and the revenue derived by Government therefrom have both been gradually increasing for a long series of years. The system may be briefly described in these terms. The Government has established two great agencies, one called the Behar, and the other the Benares, agency, with head-quarters at Patna and Gazipore respective-

ly, and minor agencies in other places to which native establishments are attached, scattered all over the country, and often conterminous with the limits of the revenue and administrative sub-divisions. The Province of Behar, a portion of Chota Nagpore, the Benares division of the North West Provinces, part of the Allahabad division, and Oudh,—these make up the whole of what may be called the opium region in the Gangetic Provinces of British India.

The extent of land under opium cultivation in this fertile country was 5 *lacks* of acres in 1869-70, which would give work to 250,000 cultivators and their families. Throughout this opium region, no *Ryot* can grow opium except under a license from the Government opium agents. If a man wishes to grow the opium crop, he goes to one of these agents, gets his name registered, and his land measured; upon complying with these conditions, he obtains a license, and a small cash advance is made by the opium agent upon the personal security of the *Ryot* and his fellow-villagers. The advance is made before the sowing season, because the *Ryot* has then to expend money in preparing the land, in irrigating it, and purchasing the seeds. The *Ryot* in due time sows the seed, and when the crop is above ground, the land is again measured to see if the *Ryot* has sown the land according to his license, and a second advance of cash is then made to him. The season in which opium is produced coincides with the Spring months of March, April, and May. The *Ryot* gathers the crop which consists of the juice of the poppy pods in vessels, and takes these to the sub-agent, who forwards these ves-

sels to the factory, where their contents are exposed for a considerable time in masonry tanks, till they are reduced to a proper consistency. After the monsoon rains are over in October, these contents are packed in chests, and these chests are for the most part exported to Calcutta for the periodical auction sales which take place there. The *Ryot* who grows opium is often the owner of the land in which he sows it, or he may hold it as a tenant of some superior land-lord. There is no interference on the part of Government in respect of the cultivation of opium, except so far that by law the opium crop is exempt from the ordinary law of distress. The crop is in a sense mortgaged to Government in the first instance for the advances it has made to the growers, and Government has a right to be first paid out of the crop.

The area of land under the opium crop is regulated by the financial needs of the Imperial Government, which decides how much opium should be brought to market each year, and the opium agents accordingly extend or restrict their advances to a larger or smaller number of applicants. The soils cultivated with opium are not found in large blocks together, and as a consequence the cultivation is scattered all over the districts. High level lands, easily irrigated and manured, and not exposed to inundations, are preferred above all others for the opium crop. The opium crop takes a long time to mature, and moreover it is not a crop which can possibly be concealed from the numerous supervising officers who travel all over the districts measuring these opium lands. Illicit cultiva-

tion there is none ; there can be no doubt, however, that the men engaged in the production partly smuggle it for their own consumption, or for sale, but the amount in either case is very insignificant. Opium is a thing of such great value and small bulk that the heavy duty on it necessarily tempts men to smuggle it in small quantities. The Government officers however discourage smuggling by selling opium in the districts where it grows at prime cost. The *Ryots* are thus induced not to abstract opium for their private consumption, and are encouraged to send it all to the Government factories. The cultivation of opium is very popular with the agricultural classes, and the *Ryots* punctually discharge their obligations. The sum advanced to the *Ryots* exceeds 2 millions sterling a year, and out of this advance the paltry sum of 200 or 300 *Rupees* represents the amount which has to be remitted as unrecovered debt.

The gradual growth of the opium revenue in successive years has been most remarkable. In 1829-30, 7,565 chests represented the total yield of the Gangetic provinces, while the cost price was 291 *Rupees* per chest, and the Government realized a gross revenue of $1\frac{1}{2}$ crores of *Rupees*. In 1853-54 the number of chests had increased to 53,321, the cost price per chest was 281 *Rupees*, and the gross revenue was nearly 4 crores of *Rupees*. With increased production, the sale price of a chest fell one-half, from 1650 *Rupees* in 1829 to 780 *Rupees* in 1853. In 1853 and the following years, the quantity of opium grown was gradually reduced, till in 1858-59, only 21,357 chests were produced. In consequence

of this short supply, the price per chest rose at once to 1630 *Rupees*, and the gross revenue realized was 4½ crores of *Rupees*, and the net revenue was 2½ crores of *Rupees*. The decrease in quantity between 1853 and 1858 was obtained partly by giving up some of the agencies, and partly by offering a smaller price per *Sher* of opium to the cultivator, which limited the number of applicants for advances. The experience of opium sales from 1829 to 1858 shows that the revenue derived from opium will not indefinitely increase with the growth of opium, but that there is a limit which can not be exceeded without affecting the price in China in a manner seriously to diminish our net revenue therefrom.

The cost of producing opium is for the most part an invariable quantity, and the variations in revenue are caused solely by the fluctuations of demand at the auction sales, which demand is necessarily influenced by the state of the China market. Up to the year 1865, it was the practice to bring to Calcutta all the opium produced during the year. It was almost impossible under this system to know before-hand what this quantity of the annual produce might be, and the result too often was that there was a great danger of the market being either over or under-stocked. The collapse of 1858, as described before, was caused by a too rapid increase in the quantity produced, and this mistake was again repeated in 1865. It has been already stated that the crop of the year 1868 was the smallest in quantity since 1852. One consequence of the crop being so small was that, although the sale price of a chest was raised to

2,000 *Rupees*; Government found that the larger amount of profit got on the smaller number of chests did not compensate them for the moderate profit which they had made in previous years upon the larger number of chests. It was therefore resolved to increase the quantity, and the cash advance made to the *Ryot*, which was $3\frac{1}{2}$ *Rupees* per *Sher* in 1858, was raised to 4 *Rs.* in 1860, and 5 *Rupees* in 1861. Under this stimulus, the number of chests increased from 21,000 to 40,000, 49,000 and 64,000 in the next three years. This enormous increase in quantity caused the price to fall in 1865, and a considerable loss of revenue was the consequence.

To prevent these alternate collapses, it was proposed by Sir Cecil Beadon, who was then Lieutenant-Governor of Bengal, that instead of depending upon the varying quantity of the year's actual crop, an absolutely fixed quantity should be brought to the Calcutta market, quite independently of the greater or smaller yield of the seasons, and a reserve should be kept from the crop of good seasons to cover the deficiencies of the bad seasons. About 48,000 chests, at 1,200 *Rupees* a chest, was fixed as the invariable quantity, upon a calculation that that quantity found a normal demand in the China market without causing any undue fall in prices, or encouraging home production in China. These proposals of Sir C. Beadon were acted upon to some extent between 1865-68, and they were sanctioned by the Secretary of State in 1869. In the year 1871, however, the Government of India departed from this rule, and ordered 52,000 chests to be sold. The price

paid to the cultivator was reduced in 1866 from 5 to $4\frac{1}{2}$ Rs. per *Sher*. In 1868-69, the total opium receipts were $6\frac{3}{4}$ crores of *Rupees*, the charges were $1\frac{3}{4}$ crores, and the net revenue was nearly 5 crores, the sale price of a chest being 1370 *Rupees*. In 1869-70, the gross receipts were $5\frac{1}{2}$ crores, and the net receipts $3\frac{1}{2}$ crores. This reduction in the opium revenue was caused by a fall of prices in the China market, and this fall was wrongly supposed at the time to have been caused by the extended cultivation of the crop in China.

The opium revenue is at best an unsteady revenue, as it depends, (1) upon the seasons in Bengal and in Malwa ; (2) upon the prices in China, a circumstance over which the British Government has no control ; and 3rdly, upon foreign competition. Of these three influences, one element of uncertainty which re-acts upon the Chinese market would, in Sir Cecil Beadon's opinion, be removed by always taking care to bring a fixed quantity at the auction sales, and this he said, it is in our power to do, especially as it would greatly increase the stability of our financial calculations. At the same time, Sir C. Beadon allowed that as nearly half the opium comes from Malwa and other Native Staes in Central India, over whose cultivation we have no control, the restriction of Bengal opium does not wholly remove all the elements of uncertainty so far as India itself is concerned. At the auction sales, the Government officials offer the opium at an upset price of 400 Rs. per chest, which represents the cost of bringing it to market. But the contingency of selling opium at this upset figure has never happen-

ed, the first bid is always double the upset price, and the sales take place at such higher prices as people can be found to bid for. The Government does not usually hold back any quantity for the sole purpose of obtaining more revenue. The stock it keeps in hand is intended chiefly to equalize the exports of different years. Persian opium competes to a certain extent with the Indian drug in the Chinese market, and there is an increasing home production in China itself. The Imperial edicts, it is true, prohibit the production of opium in China, but these edicts are not much regarded.

Besides the fact that 48,000 chests at 1200 *Rs.* per chest find a normal demand in China, Sir C. Beadon stated one other reason for fixing the price of a chest at 1,200 *Rupees*. The Government levies an excise duty of 600 *Rs.* per chest upon Malwa opium, and it is estimated that it costs 600 *Rupees* more to bring this opium from Central India to the port of Bombay. By fixing the price at 1,200 *Rupees*, the duty on Bengal and Malwa opium is as nearly as possible equalized. The quantity to be sold at the Calcutta biddings is announced some months before the sales actually commence. The opium produced in the spring season of one year is not sold till the following year. The quantity to be sold is divided into 12 portions, and there is a sale of one of these 12 parts every month, and the first sale takes place in January. The re-sales in China take place within a month after the Calcutta sales. The auction prices in Calcutta are to a great extent governed by the prices which, in anticipation of the sales, are expected to obtain in

China. They are also to some extent affected by the state of exchange, as Anglo-Indian merchants who import tea and silk from China settle their Chinese account by exporting Indian opium. Often-times opium is thus used as a means of remittance, and it is found more profitable to remit money due this way than by taking bills. The prices at the Calcutta sales depend also to some extent upon the Bombay holders who keep up the prices of their own stocks in Bombay by bidding high at Calcutta. The quantity sold at a single sale is not sufficiently large to preclude speculative biddings, and it is not the interest of Government to prevent these biddings, for the bidders never bid below the value.

A part of the entire opium produced is sold for home consumption in India, and forms an important item of *Abkari* revenue. It is sold at little more than the cost price in the districts where it is produced, but the price charged increases with the length of distance that it travels from these opium districts. The Government has every right to levy such a revenue by the sale of opium, and to levy it by selling it at the maximum rates. The maximum limit of the sale price of opium sold for consumption in Bengal is fixed on principle at the highest rates which people can pay without smuggling. The gross proceeds from the sale of *Abkari* opium in Bengal, including Behar and Orissa, in 1868-69 were 31½ lacks of *Rupees*, and, as the charges were 10½ lacks, there was a net profit of 21 lacks. The opium represented by these 31 lacks of *Rupees* is the quantity consumed by the people of Bengal, and all the rest is exported to China. The present system of production

cannot therefore be charged with unduly stimulating the use of the drug among the people of India. If free cultivation were permitted, it would be impossible to prevent private sales, and the use or abuse of the drug would be greatly encouraged. The large advance made by Government to the *Ryots* who grow opium puts in circulation a considerable sum of money, amounting to nearly two *crores* of *Rupees* without charge for interest, among the people of these opium-districts, and this circulation stimulates and indirectly contributes to keep up the prosperity of these districts. The advances in the Behar division for instance are considerably in excess of the land revenue of that division, and the settlement officers always take the fact of these advances into account when they fix the assessment in these districts. In some districts, the instalments of land revenue are as a matter of fact not collected till the opium advances are made. In the year 1858, the opium advances were stopped for one season in the Gorackpore district; the effect of this stoppage was that the *Ryots* in a body went to the Collector's office, and said they could not pay their land revenue; so absolutely dependent in these districts have the *Ryots* become upon the opium advances for the punctual discharge of their liabilities to Government.

Sir Cecil Beadon was also examined upon the merits of the proposal to substitute the Bombay system of levying a transit or excise duty upon opium in place of the present system of Government production and auction sales. He stated first that if the duty upon Bengal opium was reduced to the level of the duty of

600 *Rs.* per chest levied in the Bombay Presidency upon Malwa opium, and if the duty was as easily collected in Bengal as in Bombay, the financial effect of the change would be the relinquishment of the entire margin of profit, about 200 or 250 *Rs.* per chest, now realized by the sale of opium under the Bengal system. It is likely also that the cultivation will fall off, as it must take a long time for private merchants to step in the place of Government, and make the necessary advances to the *Ryots*. The Indian opium is consumed by the wealthier classes in China. It is said to be 50 per cent. better in quality than the opium produced in China, of which latter there is every year a larger and larger quantity grown, for the prohibition against it has lost all practical efficacy. The extension of cultivation in China however is not as yet of a sort to affect calculations in India. In 1870-71, it was apprehended at first that, by reason of the growing competition of China opium, only 970 *Rs.* would be realized as the maximum price per chest, but as a matter of fact it was found that 1,120 *Rs.* per chest were realized at the sales.

In reply to Mr. Fawcett's question, Sir C. Beadon confessed that the Government only regarded opium as a means of revenue, and did not allow moral considerations to influence its conduct to any extent in this matter. At the same time he stated that probably Government would not go the length of trying to double the revenue, if doubled it could be, by increasing the quantity without limit. The opium duty at present is an average *ad valorem* duty of 180 per cent. If the Emperor of China were to rescind his prohibitory

edict, opium would no doubt be extensively cultivated in China, and it would be impossible to levy more than a 60 per cent. duty, which represents the difference in quality between the two drugs, or one-third of the present duty. Besides China, Persia has recently engaged in the cultivation, and it produced last year 4,000 chests, and opium cultivation is reported to be yearly extending in that Province. With Persia and China in the field, it is quite possible that more than six out of the nine *crores* of *Rupees* of our gross opium revenue may be any-day jeopardized. This source of revenue is admittedly therefore a very precarious one, although Sir C. Beadon urged at the same time that it would be long before it was seriously affected. Having got out this admission from Sir C. Beadon, Mr. Fawcett forced the witness to confess that the financial condition of British India was extremely unsatisfactory, for, notwithstanding the assistance of such a precarious source of revenue to the extent of six *crores* of *Rupees*, the normal vice of our Indian Budgets was one of large annual deficits, if not on the ordinary expenditure, at least on the total expenditure including the charge for extraordinary public works. Sir C. Beadon was further obliged to admit that although he had contemplated the compulsory surrender of this source of revenue as a contingency which may occur any day, the question how to supply this large deficiency, if it did occur, had never assumed a practical shape before his mind as yet.

Opium is not sold for home consumption on account of the Government in any other part of India save Bengal. In the other Presidencies, the revenue is rais-

ed solely by a heavy license fee on the sale of opium. The consumption of opium is not great among the people of Behar and Bengal, or in the opium districts generally, as far at least as the sale of Government opium can be regarded as the measure of consumption. This is however not a correct test, for there can be no doubt that in these districts a large quantity of opium is surreptitiously obtained for home consumption. The object of Government has throughout been simply a fiscal one, to get as much revenue out of the drug from consumers in India or in China as it can, though as a matter of fact it must be admitted that the profits on the exportation to China are much larger than any obtained from the opium sold in India. The consideration of not encouraging the consumption of opium among their Indian subjects has not directly influenced the action of Government, though the levy of a heavy duty for fiscal reasons may have had an incidental effect in checking consumption.

The cultivation of opium on a large scale has in no way affected for the worse the character or health of the population of the districts where it is produced. The people in Behar are as fine and healthy a population as any in India. The Rajpoots and Seiks, both opium-eaters, are the finest races in India. Sir C. Beadon said he never saw any people suffering in their health or appearance from the use or abuse of opium. The population directly and indirectly concerned in the opium cultivation is estimated to be about 7½ lacs; they are in better circumstances than the rest of the cultivators, as they receive annual advances, and obtain remissions in bad years.

Sir William Muir, in his Minute dated 22nd February 1868, advocated the giving up of the entire system of Government monopoly of the production and sale of opium, and proposed that the Government should in lieu thereof depend for its revenue exclusively upon the resource of a heavy export and license duty. In Sir W. Muir's opinion, the action of Government will by this change of policy have the appearance of a legitimate check upon vice, and will not any longer be obnoxious to the odium of affording a stimulus to its consumption. With regard to this proposal, Sir Cecil Beadon remarked that if the system were changed so radically as it is proposed to do, it would lead to a certain loss of revenue, though not necessarily to a diminished consumption either in India or China. The monopoly system is maintained because it is found to be a fiscal agent of great power, as it enables Government to extract the largest possible revenue for the smallest outlay. The present system is certainly the best that can be devised in the interests of revenue. The Government can in no way be charged with encouraging the consumption of opium; at least not in any more reprehensible sense than the manufacturers of all stimulants throughout the world. The indulgence in the use of opium is not after all by any means as injurious to public health as the use of alcoholic stimulants, from which every state in the world raises a very large revenue. The charges proper for the collection of the opium duty are only 17 per cent. in Bengal. The two millions which stand for the cost of collection in the accounts include the advances made to the cultivators.

In Bombay, no such expense is needed, and the charges average only 80,000 Rs. for a revenue of some 2½ crores of Rupees. The Bombay opium is produced in the Central India States and in Rajpootana by private individuals, who pack the opium in chests, and these chests are weighed at certain fixed places by the officers of Government. The opium so weighed is allowed to pass the frontiers, and pays a sort of transit duty of 600 Rs. per chest. Malwa opium fetches a higher price in China than even Bengal opium, because the former variety is prepared so as to have a much higher consistency than can be secured for Bengal opium. This latter has 70 parts of opium mixed with 30 parts of water, while Malwa opium has 90 parts of opium proper with ten parts of water. The Chinese opium is of a very coarse kind. The Turkey or Persian opium is esteemed to be of superior quality to that of Bengal. The opium crop is, as observed before, a most precarious crop, a night's rain out of season will suffice to destroy 10,000 chests. On the whole, Sir C. Beadon stated it to be his fixed opinion that, although there might be moral objections to the monopoly system, yet, at the same time, the profits derived from it were so great that the Government would not be justified in abandoning it, unless they clearly saw their way to supplement the revenue to an equal amount by some other means. Sir Cecil Beadon urged further that it should be our policy to try and keep down the competition of China and Persia by maintaining a large area of cultivation. Not that there is any immediate danger

from this foreign competition, for the price of opium during the last few years has been much more affected by the quantity of Indian opium brought to market in Calcutta, than by any thing that goes on in the way of home production in China. The increased cultivation in China, if increase there is, has had as yet no sensible effect on prices. Although the danger is thus only a very remote contingency, the interests at stake are so great that India should betimes take steps to disarm it by increasing its stock of supply.

Sir Cecil Beadon observed in conclusion that if the system of levying an export duty were adopted in the place of direct Government production in Bengal, it would be found difficult and very expensive to prevent smuggling. It would be found also necessary to retain at least in part some system of growing and manufacturing opium under license and supervision for home consumption. Over and above all these inconveniences, the change would involve, as stated before, a certain loss of 200 Rs. per chest of extra profits now made. The opium plant is moreover, not like alcoholic spirits, useless for any other purposes save those of vicious indulgence. It is useful in many other ways besides its use as a drug. The stubble serves as fodder for cattle. The seeds are used to make oil in which there is a large trade. The petals are also sold on a large scale for their medical virtues. Every part of the plant has its value in the market, and the *Ryots* get it all, as the Government only take the opium from him at a fixed price. Opium is also used large-

ly as a medical drug. The cultivation of opium therefore is in every way very profitable to the cultivator, and it cannot be wholly stopped without manifest injustice and inconvenience to various trades and industries.

Sir C. Beadon referred to the history of Assam to illustrate the mischief that is likely to result from the giving up of the Government monopoly of opium. In Assam down to 1860, the cultivation of opium was free, and as one effect of it, the entire population was demoralized to an extent that Government found it necessary absolutely to prohibit the production of opium. There is every likelihood of the recurrence of this danger if cultivation were made free in Behar and Bengal, and the danger would be equally great though an export duty were levied, unless indeed a very strict supervision could be exercised over the growth of opium. Scattered as this production is over extensive tracts of country, such a close supervision will be found to be practically impossible. The present restrictions on production tend largely to diminish consumption in Bengal. With a change of system, there would be the risk of losing a large revenue, and the further risk of the demoralization of the people. The cultivation, as it now stands, is entirely voluntary, without pressure or compulsion on the part of officials, and the *Ryots* take the advances because they find that the cultivation of opium is more profitable to them than that of sugar or tobacco.

As regards Persian opium, Sir C. Beadon observed that there was no direct trade between Persia and China. The Persian Gulf trade is in the hands

of English merchants, and it is their anxious desire to get the Government to allow them to ship the opium on board the steamers that touch at Bombay, and to re-ship their cargo there into other steamers going from Bombay to China. It is highly inconvenient to these merchants that they cannot effect this transshipment under the present law. With a view to meet their wishes, there is at present a proposition before Government to impose a sort of transport duty from 50 to 100 *Rs.* per chest, and allow this transshipment of Persian opium at Bombay.

Sir C. Beadon at the conclusion of his examination stated that all the great Bengal authorities were opposed to the third alternative proposal of levying an acreage tax on opium growing land, because such a tax would cause loss of revenue, make inquisitorial supervision necessary, and subject the cultivators to great uncertainties from the fluctuations of the tax.

Sir F. Halliday, another retired Lieutenant-Governor of Bengal, was also examined upon the subject of the opium revenue, and he confirmed generally, with some important differences, the views expressed by Sir C. Beadon on this subject. Sir F. Halliday stated that the Government of India were fully aware of the uncertain nature of this revenue, and most anxiously watched its fluctuations. There are, he observed, among the higher officials of Government two schools of financiers, one who think that the opium revenue will be subject to violent fluctuations in the future as it has been in the past, but that it will never really fail us; another school there is who think that the recent fall of prices in 1869 was a

warning of a serious financial danger to come. Sir F. Halliday, greatly disconcerted Mr. Grant Duff's prepossessions when he confessed that he belonged to the alarmist school, i.e., he sided with those who were anxious for our opium revenue, which was rendered doubly precarious by the combined action of increasing foreign competition and domestic growth in China. Sir R. Alcock was referred to as an authority in support of the view that cultivation was increasing every year in China. The rise in the price of opium in the last year 1870 could not be accepted as a safe index that this danger was averted, for this rise was caused by short crops in the previous years. Mr. Laing and Mr. Massey both belonged to the sanguine or hopeful school, while Sir Richard Temple holds the opposite or alarmist view.

The competition of Persian opium and the extension of cultivation in China are both events of a recent date, for they were not in any way of sufficient importance to cause anxiety ten years ago. Sir F. Halliday however suggested that both these elements of disturbance might be indirectly controlled by the British Government in India. It might for instance encourage the Persian Government to levy a heavy export duty on Persian opium. As regards the Chinese opium, if the drug produced in China is inferior in quality, no serious danger need be apprehended. It is said however that of late, the Chinese officials have been deliberately and wilfully and of set purpose encouraging the cultivation in China to revenge themselves upon us, and avowedly to stamp out our opium revenue. If they ever succeed in improving

the quality of the drug, they may undoubtedly do us great harm.

As regards Sir C. Beadon's proposal to bring to market every year a fixed quantity of opium, Sir F. Halliday stated that the plan broke down the first year that it was seriously tried. The opium crop is a very precarious crop, and drought, rain, hail-storm, wind, any the slightest thing, damages it entirely, or so alters the consistency that the opium agents cannot tell till the end of the season what the outturn will be. It might be more, or it might be less, than what was wanted or anticipated. In the first year of the adoption of Sir C. Beadon's system, the Government notified that they wanted 48,000 chests for the year's sales, and at the eleventh hour their opium agents stated their inability to bring more than 38,000 chests to the Calcutta market, and the deficiency had to be made up somehow to calm the popular uproar. As regards the suggestion to substitute an excise or export duty for the present monopoly of production, Sir F. Halliday summarized the objections to all such proposals in the words used by Sir John Peter Grant in his Minute of 1862:—(1) that under an excise system, it would be found impossible to prevent a very large amount of smuggling without employing an expensive and harrassing preventive service; (2) that the giving up of the monopoly of production would stimulate private growth, and thus induce an increased consumption among our own people in India; (3) that the profits gained under the present system in addition to the duty would be wholly sacrificed without anybody being benefited by it. The margin of pro-

fits at present earned, nearly 200 Rs. per chest, was considerable, and if the export duty system were adopted in Bengal, it would be necessary to impose an additional taxation of two millions on the people to make up the deficiency. Sir F. Halliday stated that he saw nothing formidable in the first two objections, but the third consideration was a serious one, and till some-body pointed out an effective substitute, it would be rash on the part of Government to fling away such a resource. If foreign competition and domestic growth threaten to be serious dangers in the future, it will be our policy to retain our command of the Chinese market by making as much opium as India can grow, and sending it as cheap as we can to China. By keeping up the price artificially high, we may kill the goose that lays the golden eggs. It is certainly better to save the half than lose the whole. If our monopoly of the China market were really in danger, it would be advisable to remove the bar on private production and manufacture. By this means, production will be easily doubled or trebled, and we may be enabled to recoup our loss, whole or in part. At present, however, in the absence of reliable information as regards the state of production in China, Sir F. Halliday said that it would be most rash indeed to make any alteration. Opium has in fact become a great necessary of life in China. If we do not give opium to the Chinese, somebody else will give it, and they will have it anyhow. Our finances will thus suffer seriously without the Chinese being any the better for our loss.

OPIUM REVENUE.

MALWA OPIUM.

(BOMBAY).

Sir Robert Hamilton, late Governor General's Agent in Central India, was examined on the subject of Malwa or Bombay opium. He stated that all the Malwa opium came from Central India through Indore. The British Government had nothing to do with the cultivation of the crop in Malwa and Central India. The opium intended for exportation was packed by private growers and merchants in chests weighing about 112 lbs. each; these chests were brought to the scales at Indore, and paid the duty there. This duty was at first 200 Rs. per chest, but was subsequently at the witness's suggestion raised to 500 Rs. per chest, and recently Lord Canning raised it to 600 Rs. per chest. An effort was made in 1862 to raise it to 700 Rs. per chest, but the plan broke down in the trial. Malwa opium is chiefly grown in parts of the Scindia's and Holkar's dominions and in Ratlam territory, and in small quantities in all the Central India States. The opium is brought by the private growers and merchants to the Indore Residency, where it is weighed at the scales, and the duty of 600 Rs. per chest is also levied there. As soon as the duty is paid, the chests are sealed, and a pass given to cover its transit to Bombay. A Government Agent accompanies the opium on its way from Indore to Bombay, and it is not stopped anywhere on the road, nor opened for inspection. At Bombay it is delivered into the hands of the Opium agent, who is

a Government officer whose duty it is to hand over the opium to the private consignees for future disposal.

The Native States through whose territories opium passes in its way from Malwa to Bombay used formerly to levy a transit duty, but Sir Robert Hamilton made an arrangement with them by which they agreed to collect the duty at one place, namely at Indore, and divide the proceeds of the duty at the end of the year according to the mileage. The prime cost of a chest of Malwa opium is Rs. 300 per chest. The *Ryots* who grow opium receive advances from the agents of Bombay merchants who are scattered all over the country, and some of the principal native traders of Malwa are also largely engaged in the production. Besides the British duty of 600 Rs. per chest, some of the Native States levy a small duty. His Highness Holkar, being the chief of them, levys a duty of from 8 to 10 Rs. per chest. There is not much smuggling of Malwa opium. Opium from Rajpootana however is smuggled in considerable quantities from the Portuguese port of Daman.

Sir R. Hamilton stated that he was an advocate of the export duty system, and he had proposed long ago that Government should gradually introduce this system in Bengal, and reduce the amount of their advances to the *Ryots*, and abolish the agencies of direct manufacture and sale, which make the Bengal system so expensive and morally objectionable. The opium region of Central India and Malwa is so extensive that even if the Government were to abandon all its Bengal agencies, Central India alone will supply the whole quantity required by Government.

This responsibility it cannot undertake at present because of the artificial monopoly which the Government system of production and manufacture secures for Bengal opium. At the same time Sir R. Hamilton suggested that Government need not at first restrict itself for its annual supply of opium to Malwa alone. Malwa opium does not require any great artificial support, and private cultivation in Bengal or in the other provinces of India should not be stopped, if profitable. Malwa opium is esteemed to be superior in quality to all other opium, and the system under which the duty is collected is cheap beyond all comparison. The cost of collecting the opium duty of 600 Rs. per chest is only one and a half *Anna* per cent. Malwa opium in its pure state is too strong to be used, and has to be adulterated with oil and catechu before it can be sold in the market. In China, the sellers mix Bengal and Malwa opium together to make their saleable opium. The cost of producing a chest of 112 lbs. of Malwa opium is estimated to range between 250 and 300 Rs. Sir R. Hamilton admitted further that the substitution of Malwa for Bengal opium cannot be arranged all at once, for Malwa cannot produce 45,000 chests to order in one year, but there can be no doubt that, by spreading the work over a few years, and by gradually reducing the quantity of opium grown in Bengal, the deficiency can be easily made up in a few years. When the change of system is fully carried out, the sum of 2 millions now advanced annually in Bengal to the opium-growing *Bys* will be saved, and Malwa opium would, if it were left alone, pay a heavier duty, i.e. 700 or 800 *Ruppes*

per chest. The Government will thus for a comparatively insignificant outlay receive in full their present revenue. The opium crop is a very uncertain crop in Malwa as elsewhere, and one hailstorm will spoil a year's harvest. There will always be therefore some risk, but the risk under the new arrangement will be much reduced, and Government will be saved from the odium of being the monopolist producers and manufacturers and sellers of this narcotic poison.

There is one other advantage which Malwa possesses over Bengal, in that the opium grown in it cannot be smuggled out of India so easily as Bengal opium. The whole of the Malwa opium is produced in the territories of Native States, and is made to pay pass duty at Indore. It cannot get to any sea-port without going through British territory, as the seaboard is all English, and it cannot therefore, unless smuggled, pass without paying duty. The Native States in Central India do not superintend the cultivation, or keep a register of the cultivators, or measure the land under poppy. Malwa opium in its journey to the coast has to travel through narrow passes where it can be easily watched if necessary. In the case of Bengal, if the Government give up its monopoly, and allow the cultivation to be free, it will be found impossible to check smuggling, for the entire sea-coast is open, and can be reached at different points. This will necessitate a more extensive system of watching, and in the end the present staff of opium officials, if freed from one duty, will be required for the new inspecting work. On the other

hand, the services of most of these officials can be dispensed with, if the Government give up its monopoly, and restrict the cultivation to Central India.

The lowest figure for the pass duty on Malwa opium was 125 Rs. thirty years back. Opium then found its way through the desert to Karachee. This trade was stopped when the duty was raised. The highest duty was 700 Rs. per chest in 1862-63, which had to be reduced as the trade could not bear it with advantage to the revenue. The Native Princes are not likely to discourage opium cultivation because they derive profit from it, though not to the extent they would have derived if the British duty was not so high as 600 Rs. The Native States, Holkar being the chief of them, get 10 per cent. of the profits, i.e. eight *Rupees* per chest upon all opium chests that come to the Indora scales. Though there is no treaty on the subject, Sir R. Hamilton stated that His Highness the Maharajah Holkar would not be permitted to raise his duty so as to affect the interests of our Exchequer. The cultivation of opium can be extended indefinitely in Malwa, but the extension cannot be done at once to order, as it takes three years to prepare the land to receive the seed, and the opium crop requires at the same time rich manuring and deep cultivation.

While Malwa has thus considerable advantages over Bengal, Sir Robert Hamilton admitted that there is much to be said on the other side of the question. Malwa is mostly native territory, over the cultivation in which the British Government has no control, at least not so effectively as it exercises in Bengal, which is British territory. Besides, the table land of Central

India is more subject to droughts than Bengal, which circumstance necessarily affects the crops in Malwa, and makes them very precarious. It would thus be very risky to have to depend on Malwa alone in a matter upon which the financial prosperity of India may be said to depend, and which, next to the land revenue, is our most productive resource. It is safe therefore to have two sources to depend upon, and to supplement each other's defects.

The cultivation of opium is generally garden cultivation, in small patches immediately round the villages, where it can be easily supervised and collected. A large quantity of opium is produced from a very small quantity of land. The producers of Malwa opium consume very little of it. Sir R. Hamilton gave it as his opinion that the habitual consumption of opium, whether it is eaten or smoken, injuriously affects the health, it debilitates the constitution, and permanently unfits the man who indulges in the vice for active pursuits, and in the end shortens his life. The cultivation of opium is however very profitable to the *Ryot*, because it is the only crop for which he gets large advances of cash, by which he is enabled to pay the revenue without feeling the strain of a heavy land-tax. Opium has become a necessary of life in China to the same extent that alcoholic spirits are in Europe. If the cultivation of opium be thrown open to all private producers like that of any other crop, the Government will not run the risk of having only one source of supply to depend upon. This risk should never be incurred, because Government cannot dispense with the opium revenue under any circumstances.

ces. Though on the face of it, the Bengal system shows a profit of 200 Rs. per chest more than Malwa opium, this is not a correct view of the facts, because the Malwa duty of 600 Rs. represents the net profit without any expense, while in Bengal Government has to advance annually 2 millions sterling. In taking 400 Rs. per chest as the cost price of Bengal opium at the time when it comes to the Calcutta market, the interest charge of these 2 millions is not calculated. If this charge were included, the difference between the net profits of a Bengal and Malwa chest of opium would be reduced to a considerable extent.

OPIUM REVENUE.

BENGAL AND MALWA OPIUM.

(DR. SMITH.)

Having briefly summed up the official evidence on the subject of Bengal and Malwa opium, I propose in this place to present a summary of the views of a non-official publicist who was long connected with India. He was the only non-official witness who threw any independent light upon this much discussed subject. Dr. George Smith, Editor of the *Friend of India*, was examined by the Finance Committee at some length chiefly upon the subject of the working and effects of the Government monopoly of production in Bengal, and the moral aspects of this connection. He expressed his entire dissent from the official views of Bengal civilians, and advocated a mixed system of an acreage tax upon opium producing lands, (which is the system in Punjab), joined with a heavy license duty upon the manufacturer. He recommended further that the manufacture should be restricted to certain places and districts, very much upon the model of the system of Sadar distilleries, and maintained that the advantages of a change of system as proposed by him would be great morally, economically, and financially. It would in the first place remove the odium which necessarily attaches to the Government under the present system by reason of its direct connection with the production and manufacture of this poison. It would diminish the precarious character of the revenue by transferring the control and management from officials to skilled private traders, who would

foresee and arrange for all the ordinary fluctuations of the seasons, and of the demand in China, far better than the officials now employed, and the revenue would be thus as certain as our Customs revenue. If this change were once fairly introduced, the Malwa system of levying a pass-duty can safely be adopted in Bengal, by which means the present facilities of smuggling, which obtain to a great extent in Bengal, would entirely cease. The interest of private persons would, under a system of licensed manufacture and sale, incite them to keep a more strict watch than the most vigilant set of officials can exercise, and thus diminish the chances of successful smuggling. The self-interest of the licensed trader, acting upon the self-interest of the producer, would secure the same absence of fraud in the manufacture and sale of opium that is met with in other industries of the same kind.

As regards the excise duty on liquors generally, as also the duty levied on the sale of opium for home consumption in Bengal, Dr. Smith observed that the present excise system is unpopular with the natives because it affords great facilities to vice by bringing the poison within tempting neighbourhood, and suggested that the evil of drunkenness would be best checked by increasing the duty upon all indigenous and some imported liquors and drugs, and by vesting the municipal bodies or the respectable residents of the place, along with the Collector of Revenue, with the power of granting or withholding licenses upon the principle of the permissive legislation in England. The Sadar distillery system can work well if only a heavy duty is imposed upon the license to manufacture. Under the

present system, it is the interest of the excise collectors to multiply the shops because they bring in more revenue, and these officials act as though they had no concern with, and need show no consideration for, the wishes of the people in whose midst the shops are established, or of the encouragement to crime thereby given. The number and position of the retail shops should be regulated by the wishes of the people, whose leaders must be associated with the collector and his officials in fixing sites for the shops. In the Indo-Chinese districts of British Burmah, the action of the excise department in promoting the sale of opium has become a public scandal, and the people of Burmah have been greatly demoralized thereby.

The question of converting the monopoly system of Government production into an excise system has been under the consideration of Government ever since 1825. Before that time, Government had their opium agents in Rajpootana and Malwa, and the monopoly system prevailed both in Malwa and in Bengal. In 1826, an agreement was made with Holkar and other Chiefs, by which an exclusive right of purchasing opium grown in Malwa was secured to our Government. The Political Residents attached to the Central India and Rajapootana states, Colonel Sutherland, Sir C. Metcalfe, Sir David Ochterlony, were opposed to this monopoly system of production, and as it led to serious evils and encouraged smuggling, it was abolished, and the pass duty system was introduced in Malwa. The discussion was continued for a long time, and Sir C. Trevelyan became convert to the excise system in

1863, when he was Finance Minister. Lord Lawrence's government had almost made up its mind on the point. Lord Lawrence himself was strongly in favour of the policy of giving up the monopoly system, but the discussion has somehow dropped since he retired from India, and the official supporters of the monopoly system seem to have regained their lost ground.

In the opinion of Dr. Smith, the Government monopoly leads necessarily to considerable abuse and oppression. The cultivation is protected by a severe contract law, and by the right of distraint of property, which is denied to all other produce. Official pressure is avowedly used to extend cultivation. The extension of cultivation in the North-West Provinces and in Oudh by the bait of advances has called forth the protest of all the high officials of those parts. When the price paid to the cultivator was 3 *Rs.* 4 *Annas* a *Beegha*, the opium crop was not at all remunerative to him. The price was accordingly raised subsequently to four and five *Rupees* per *Beegha*, which has stimulated the production by the hope of securing the large advances which prove of such help to the *Ryots*. In Assam, the cultivation of opium was formerly free, and Government soon found that it was impossible to raise any opium revenue from the province. The consumption of the drug, moreover, became in a few years so universal that the people were utterly demoralized. The Government accordingly interfered chiefly for financial reasons, and stopped the free cultivation entirely, since which time the consumption of

the drug has sensibly diminished, and a considerable revenue now accrues to the state from the opium that is consumed, and the land revenue has also been greatly benefited. It takes three years to prepare the ground for poppy cultivation. When the ground is once prepared, the cultivator is committed to a long course of poppy growth, and becomes unwilling to retire from the cultivation, as the ground is in his estimation too good for the ordinary grains. Besides, the opium officials take care that the strength of the highly cultivated soil is not diminished by other exhausting crops in the same year. The native officials practically dictate to the *Ryot* what crops he shall put in the ground when the opium crop has been removed. As one effect of a change of system in the direction suggested by Dr. Smith, he observed that at first it was likely there might be an undue extension of cultivation, but the evil would right itself after a time. The Government might find it necessary for some time by way of precaution to restrict opium cultivation within certain areas.

In the Punjab, an acreage tax ranging from 3 to 4 *Rs.* per acre in excess of the ordinary assessments is imposed upon all opium-producing land. The cultivation, though free, has not demoralized the population of that province. The probabilities are strongly in favour of the view that the opium revenue in the next decade will diminish considerably. Dr. Smith stated in the concluding portion of his evidence that in 1862-63, charges were brought in the public newspapers of oppression and corruption and carelessness against the opium establishments,

and he accordingly investigated the matter on the spot both at Patna and Indore, and came to the conclusion, that, though there was much exaggeration, there was a sufficient basis of truth to lead the Government to consider whether the excise system would not be preferable on all grounds to the monopoly system. It was at this time that Sir Charles Trevelyan became a convert to the new faith, and Lord Lawrence's Government also gave in its adhesion to the change, but the subject has somehow since then dropped entirely out of discussion.

SECTION IX.

STAMPS REVENUE.

Sir H. L. Anderson, being in charge of the Judicial Department under the Secretary of State for India, was examined upon the subject of the Stamps Revenue. The stamps revenue for the year 1869-70 was 2 *crores* and 38 *lacks*, out of which total fully two *crores* and five *lacks* were derived from the sale of impressed paper, including the Judicial or Court-fee stamps, and the stamps required under the General Stamp Act. About 6½ *lacks* were obtained from the sale of adhesive stamps. Another 6½ *lacks* were obtained from the duty on impressed documents used in commerce, for instance, *Hoondees* and cheques prepared by banks or firms, on which the stamp is afterwards impressed ; fines and penalties made up about 40,000 *Rs.*, the item of stamp duty recovered from successful suitors *in forma pauperis* produced about 54,000 *Rs.*, and about 37,000 *Rs.* were derived from miscellaneous savings. Impressed paper stamps are either general i. e. documentary stamps, or judicial. The judicial stamps produced about 1½ *crores* of *Rupees* out of the total stamps' revenue. Under Lord Lawrence's Government, the scale of judicial fees on the institution of civil complaints was increased in 1867 by about 25 per cent., on the ground of an increase in the pay of the subordinate grades of the judicial establishments. The result of the increase was that although the number of suits instituted fell off 20 per cent., the revenue showed an increase of 18½ *lacks* of *Rupees* on this smaller number of suits over the corresponding figures of 1866.

The Act of 1867 imposed an uniform ten per cent. duty upon the value of the property or right litigated in all classes of suits. This has been altered by the Court-fees Act of 1870, by which a uniform rate of $7\frac{1}{2}$ per cent. is levied on the first thousand *Rupees*, and in suits which are valued above 1000 *Rupees*, the rate is fixed at 5 per cent., and the maximum duty is fixed at 3,000*Rs.* The stamp duty has a natural tendency to increase by about 6 per cent. every year, for that is the proportion in which litigation increases every year with the prosperity of the country. Under the stamps law of 1870, the duty on probate has been raised to 2 per cent. As regards the classes of suits which pay most, it has been calculated, that, out of an aggregate total of 7,00,000 suits in India, about 10,000 suits alone are for sums exceeding 1,000 *Rupees*, while fully one-sixth are for sums less than 10 *Rupees*. The uniform 10 per cent. scale of duty fixed by Act 26 of 1867 was found to be unduly repressive of litigation, and was therefore reduced by the Court-fees Act of 1870.

As regards general or documentary stamps, they are of two kinds, there is an *ad-valorem* class, and a fixed class. It has been calculated that one quarter of the general stamp revenue is obtained from stamps not exceeding 8 *Annas* in value, in other words, the smaller transactions bring the largest revenue. The revenue derived from general stamps has been increasing steadily, and will increase with the prosperity of the country. There is not much evasion of the stamp duty. The stamps revenue of $2\frac{1}{2}$ *crores* is collected by an

establishment of superintendents and their subordinates and by licensed vendors, and the cost of collection under both these heads comes to about 10 *lacks* of *Rupees*, all over India. The stamps law exercises a very beneficial effect in tending to repress false and fruitless litigation. It furnishes also to some extent preconstituted evidence of place, time, and identity of person as regards the execution of bonds &, which proves a great check upon the unscrupulous fabrication of evidence and the forging of documents. The $7\frac{1}{2}$ per cent. scale of Court-fees or judicial stamps is not heavy, because people in India are very fond of litigation, as is shown by the large number of suits below ten *Rupees* in value. The stamp duty tends to check a great deal of the abuse of litigation. In the case of appeals, the rate of duty is the same as in original suits.

As the administration of justice by native judges in the primary courts, checked and corrected by European judges of the superior Courts, has to be carried on through a triple system of Original, Appeal, and Special Appeal inquiries, the machinery of these Courts is necessarily a very costly thing in India, and the Government seek by means of the stamp duty to recoup themselves as much as possible for this heavy expenditure, and make justice pay for itself. The Government does not seek to get any surplus revenue by means of this duty. At present the Government is not recouped for its expenditure on the civil and criminal Courts from the proceeds of the stamps duty. While in England the administration of justice, like the expenditure on the army and the navy, is paid for

general taxation, in India, the general revenue does not provide it with justice, for which a payment in addition to general taxation is levied in the shape of a charge upon the litigant classes. The only law-charges taxed in England are what a man has to pay to his solicitors. These are very heavy in England. They are not so heavy in India except in the Presidency towns, where the fees of solicitors and barristers are much higher than those paid in England, and the suitors have besides to pay a heavy stamp duty. Taking both parties together, a suit which passes through the three Original, Appeal, and Special Appeal Courts pays in stamp duty about 25 per cent. of the value of the subject matter. But with this expenditure, final justice is not obtained. The last appeal in all heavy cases lies in England to the Privy Council, where the delays in obtaining justice are most grievous, and amount almost to a scandal at present (1870-71). Out of 700 appeals to the Privy Council, filed since the amalgamation of the old Supreme and Sadar Courts, nearly 650 appeals were from Calcutta alone, for the Bengali suitors are both rich and litigious, and regard appeals as a luxury. The delay is partly accounted for by the great time required for translations in heavy cases, and many of these appeals are certainly made because much pride and feeling enter into them, but there can be no question that by far the largest number of these appeals are made simply because it takes so long a time before the Privy Council can dispose of them, and parties take advantage of this block of business to put off the time for the execution of the decrees passed against them.

Besides the $7\frac{1}{2}$ per cent. duty paid to the Government, the ordinary suitor in an Indian Court has to pay the expenses of his witnesses, and also the fees of his professional advisers, which last payment is for the most part settled by private contract.

SECTION X.

MINT REVENUE.

Having thus discussed the larger and more general items of Imperial revenue derived from land, forests, excise duties, assessed taxes, salt, opium, and stamps, I shall next proceed to summarize the evidence received by the Committee upon the minor items of Indian revenue, and, which, by way of distinction, may well be called the heads of special funds, which represent payments for special services done by the State of a sort which are not always found associated with sovereign functions. The revenue derived from the Mint certificates, from the Post Office, from the Telegraph, to a certain extent, even the revenue derived from Irrigation Works all have this distinctive character, viz. that the payment is made for an obvious service rendered. Mr. Harrison, who holds the office of Comptroller-General to the Government of India, was examined regarding the nature of the receipts from the Government mints.

There were till lately three mints in operation in British India at the three Presidency towns, but one of these, the Madras Mint, has been recently closed. The revenue derived from the Government mints consists chiefly of the seignorage duty of 2 per cent. on all silver brought to the mint to be coined, and a further charge of 1/10th per cent. for the preliminary melting. The silver is always melted when tendered at the mint for acceptance, because it has to be reduced to a homogeneous shape,

and assayed. The gold coinage is unimportant, and the seignorage charged is 1 per cent. and the charge for melting gold is 25 per 10,000. In the coining of copper, a considerable profit is obtained in the shape of the difference between the cost of manufacture and the nominal value of coined copper pieces. The gold pieces coined are equivalents of 5 *Rupees*, 10 *Rupees*, and 15 *Rupees*, all authorized by an Act of 1835. Till of late only the 15 *Rupee* pieces, or the gold *Rupees*, were coined in the Mints. These 15 *Rupee* pieces are of the same weight as the silver *Rupee*, and of the same standard.

The receipts of the Calcutta Mint in 1869-70 from gold coinage were 641£, from silver coinage 71,700£, while from the Bombay Mint, these latter receipts were 78,800£, and there were no receipts from gold coinage. The total receipts of the two Mints were 15½ *lacks* of *Rupees*, and the charges of collection amounted to about more than half the income, viz. 8½ *lacks* of *Rupees*. In 1870, the charges of the Calcutta Mint were 68,000£, and exceeded the receipts which were only 50,000£. The Government of India anticipates that, under present conditions, gold may be imported and coined to a considerable extent not by way of substitution for the silver coinage, but only as an addition to it. The proportion of the weight which gold bears to silver is 15 to 1 in the Indian mints, though in France it is 15½ to 1. The equivalent rate at which the English sovereign is received at the Government Treasuries is 10½ *Rupees*. Formerly the rate was 10 *Rupees*; but this rate was found not to be a sufficient inducement, and no

sovereign was brought at that rate to the Treasury. It is quite optional for any one to receive English sovereigns in payment from the Treasury, though the Government will take these sovereigns at the prescribed rate in payment of its dues. Even with this inducement of a higher value, only a small number, or in fact no sovereigns, have been brought to the Treasury, showing plainly that its equivalent value exceeds the sanctioned rate of $10\frac{1}{2}$ *Rupees*. Gold bullion is also received by the Currency Department at the same rate as sovereigns, subject to a mintage charge for conversion. No sovereigns are received for recoinage, only gold bullion is received for that purpose. No distinction is made between the Australian and English sovereigns, though the Australian is understood to contain a certain amount of silver, and sells in the Bazaar for one *Anna* less than the English sovereign. The mint officers do not pay in cash for the gold or silver bullion presented there to be coined. They give gold or silver mint certificates; on presenting these at the Government Treasuries, gold and silver coins are paid to the certificate-holder according to the specification in the certificate. These certificates were formerly made payable 20 days after date, but since 1861, they are all made payable at sight, and are issued as soon as the assay is completed.

The Madras Mint was stopped because of late the importations of gold and silver have been so small that the retention of the three mints was found to involve needless waste. If the quantity of coinage does not increase, this economy may well be carried further, as

only one working mint would have sufficed for the quantity of gold and silver bullion brought to be coined during the last two years, and the Calcutta mint was actually worked at a dead loss, as the work done in it was not sufficient to pay the cost of the establishment. At the same time it must be admitted that great inconvenience would result from having only one mint. The mercantile transactions of Bombay are large enough to entitle it to a separate mint of its own, and to be independent of Calcutta, the imperial importance of which latter place demands a mint for itself.

The import of silver in India first began to be of considerable amount in 1854, when our export trade received a great stimulus with the breaking out of the Russian war, and the commencement of the great Railway works. In 1860, and for eight or nine years after, the imports of silver were very large. In 1854, the great railway works commenced, and it was owing to that fact that the imports of silver increased. Since 1860, the cotton famine in Lancashire added force to this growth of the silver imports. In 1849, when the extreme point of depression has been reached, the exchange was at the very low rate of 1s. 9½d. or 9¾d. per *Rupee*. During the years of the cotton famine, the rate was as high as 2s. 1d. It has fallen since to 1s. 10½d. At the present rate of exchange, it is not possible to maintain the circulation of gold sovereigns. When the rate was high and exceeded 2s., sovereigns were paid at the value of 10 Rs. each into the Treasury, but these have found their way out since the rates have fallen. The sovereign being now worth one shilling more, it is not likely that Government can issue and

maintain a gold circulation in India at $10\frac{1}{2}$ Rs. The few English sovereigns paid into the Treasury are reissued at the rate at which they were received, with 1/12th alloy of copper, the same as the English standard. A uniform currency for India and England is a possibility, but as it would involve a change in the standard of value from silver to gold, the plan of assimilation can hardly be carried out without great trouble and inconvenience.

There are reasons for believing that the importations of silver will not be so large in the future as they have been in the past. In the place of the old remittances of large amounts of English capital to India for investment in railway enterprise and other undertakings, we have now to remit large sums of money from India to England, which represent the growing profits of these railways. There has been moreover a great fall-off in the value of our export trade. The value of our export trade in cotton alone amounted to 30 millions some years ago. In 1869-70, this value did not amount to half that sum. Under these combined influences, it is expected that the rate of exchange will be permanently lowered as between England and India.

The natives of India do not buy English standard gold pieces for their ornaments. They require a finer and purer standard such as the old gold *Mohors*, the Venetian sequins, or China gold pieces. The English standard sovereign cannot be made acceptable to the natives of India, and if its standard were raised, it would not exchange in England. This is a serious difficulty in the way of an uniform gold currency for India and England. If it is desired to cir-

culate gold freely in India, the only plan that will succeed is to raise the rate at which gold is taken at the mint. As regards the question of introducing a double standard in India, Mr. Harrison suggested that if gold were somewhat under-rated, no practical inconvenience would arise from the introduction of a double legal standard. It has however been proved by the experience of France that, in accordance with the variations in the values of gold and silver, practically only one standard prevails at a time in all countries where the double standard system obtains; and it would not therefore be possible to maintain permanently the double standard in India, however nicely the relative proportions of the weight and purity of gold and silver might be adjusted.

Sir William Mansfield advocated the introduction of a gold coinage, but Mr. Harrison stated that he did not agree with Sir William Mansfield's views on this point. Sir William Mansfield seemed to hold that the main purpose of a currency is only to serve as a medium of domestic exchange, and a means of transacting business, and as a nation advanced in wealth, it was advisable that a change should be made in the currency medium from copper to silver, and when there was a still further advance in wealth, from silver to gold. In Mr. Harrison's view, the most important function of a currency is that it is the standard or measure of all money values, and this function has been entirely passed over by Sir William Mansfield. As this is however the most important function of a currency, a material basis is necessary for the maintenance of a standard of value. In advocating a change of stan-

dard, the effect of it upon existing contracts must be kept in view, especially as the State is a creditor with its revenue fixed to the extent of many *crores* of *Rupees* from the permanently settled districts of Bengal, Madras, and the N. W. Provinces. Besides, even independently of the consideration of the influence of a change of standard on existing contracts, Mr. Harrison maintained that in the present backward condition of India, silver as a standard of value was better suited to the circumstances of the people than gold, for gold pieces of the smallest dimensions would be quite beyond their reach, and would not be wanted by them in their domestic and mercantile transactions, which are conveniently discharged by the silver coins. Even if the silver *Rupees* were retained in imitation of the English system as subsidiary to gold as a legal tender up to a certain amount, this could only be done by making the silver token of less intrinsic worth than its nominal value as a submultiple of the gold coin, a step which would be thoroughly unpopular, as the people hug the idea of intrinsic value in coins. The inconveniences described in Sir William Mansfield's Minute, as resulting from the retention of silver as the standard, owed their force to the exceptional nature of the years of the cotton famine, when the importations of silver suddenly increased to an enormous extent; they do not in any way affect the normal state of things which has returned since the close of the years of cotton famine.

The greater part of gold bullion that remains in India passes into private hoards, and disappears. There is no gold in circulation. The quantity of sil-

ver in circulation has not been even approximately estimated, but it must be enormous. If a double standard were adopted, it would be a difficult thing for gold to displace this enormous quantity of silver, and as the transactions in India are on a very small scale, gold would be practically useless for making payments among the lower orders. Silver coin in large quantities would thus be always required for the most numerous concerns of the most numerous class of people. India is supplied with silver from Europe and China, and with gold from Australia and China. Neither gold nor silver are exported from India to China. The value of Indian opium is always largely in excess of Chinese imports to India. Although there are no exports of specie from India to China, there is always a large balance due to China from England which has to be paid in money ; and this balance is paid through India to China, and represents a portion of the specie apparently exported from England to India. The depreciation in the value of silver measured by the price of the staple grain of Bengal has been 50 per cent. during the last 25 years. Mr. Harrison stated that he did not anticipate any further decline in the value of silver.

SECTION XI.

POST OFFICE REVENUE.

Sir H. L. Anderson was examined upon the subject of the postal revenues. The post office revenues, amounting to 71 *lacks* and more in 1869-70, are, like the Mint receipts, a payment for a special service done by the agency of Government. These 71 *lacks* were made up of the following items: (1) the sale of postage stamps realized about 29 *lacks*; (2) service stamps, that is, postage on Government letters of the various departments, represented 27 *lacks* more; (3) cash sale of service labels brought in about a *lack*; (4) the postage on letters and newspapers yielded 9 *lacks*; (5) bangy parcel-post yielded $2\frac{1}{2}$ *lacks*; (6) mail cart and parcel-vans service brought in 72,000 *Rupees*; and there was, lastly, (7) a miscellaneous item of 80,000 *Rupees*, including contributions from Native States. The gross charges in India on account of the Postal department amounted to 65 *lacks* in 1869-70, and in England about 4 *lacks* were required for the Inland post service. The cost of the sea service is not included in this sum. In the year 1854, the one *Anna* postal system was first organized. In that year there were sent by post 28 million covers in all. This number rose to $84\frac{1}{2}$ millions in 1868-69, that is, it was nearly tripled in 14 years. The gross receipts were 45 *lacks* in 1853-54, and they rose to 74 *lacks* in 1869-70. The $84\frac{1}{2}$ millions of covers sent by post in 1869-70 were made up of 77 millions of letters, 6 millions of newspapers, 76,500 parcels, and 73,500 books and patterns. The rates of postage are the

same for all distances. This is one of the principles of the present postal system. Between 1854 and 1868, the rates were $\frac{1}{2}$ *Anna* for a quarter *Tola*, one *Anna* for half *Tola*, and two *Annas* for a whole *Tola*. In 1868 the rates were lowered, and are now half of what they were before.

As regards the conveyance of the English mail, the Indian and English Governments agreed in 1867 to pay to the Peninsular and Oriental Company an annual subsidy of 40 *lacks* of *Rupees*, and it was further agreed between the three contracting parties that if the annual dividend of the Peninsular and Oriental Company fell short of 6 per cent., both the Governments should increase the subsidy so as to make up the difference. These conditions were altered in 1870, when a new agreement was entered into with the Company for 10 years, by which the subsidy was raised to 45 *lacks*, and the clause about making good a six per cent. dividend, which was found by experience to impose a charge of 10 *lacks* annually, was done away with. The Company performs the sea service only, and conveys the mail once a week from Bombay to England, and from England to Bombay. The postage rate was at first fixed at 13d, of which 7d. went for the sea postage, 4d. were paid to France, and the rest were shared between the Indian and English Governments. Since the breaking out of the French war of 1870, the mails have been carried by the Brindisi road, and the charge has been reduced by one penny. Out of the subsidy of 40 *lacks*, which was paid to the P. and O. Company down to 1870, about 11 *lacks* and 70,000 *Rs.* were paid by the Indian Government, which receiv-

ed in return a revenue of about 6 *lacks* and 20,000 *Rupees*, and the difference of about 5½ *lacks* represented the dead loss incurred for the mail service by India. When the subsidy was raised to 45 *lacks*, the contribution from India was raised to 13¼ *lacks*, and the total loss which India has thus to bear on account of this service comes at present to about 7 *lacks*. The change in the terms of the contract was made, and the proportion of the contribution which England and India should pay was settled, by the English Government without considering the wishes or views of the India Office. The postal revenue is not sufficient to pay the charges incurred by Government on account of this department. Excluding the Government service letters, there is a deficit of nearly 16 *lacks* a year on the Inland post service.

The Inland post is carried over 4,433 miles by the railways, 5,333 miles by the mail cart, horse, and camel dak, 5,613 miles by the sea, and over 35,495 miles by runners, and boats on rivers such as the Indus, &c. The railways are bound to carry the post free except in the case of frontier sorting, for which the railways provide carriages, and charge a haulage fee of about 2 *Annas* a mile. India does not in any way suffer by her mail service being connected with the mail service of China and Australia, for the Imperial Government pays whatever China cannot pay, Besides, the Peninsular and Oriental Company refuse to take the Indian contract alone, unless a certain sum is paid for the line from Ceylon to Calcutta, over which line the Company sends its steamers for the passenger traffic, but which line the Government say they

do not want. India has thus to pay on this account about $1\frac{1}{4}$ lacks of *Rupees* more every year than what are strictly required for Indian exigencies. The overland postage was increased from 9d. to 13d. in 1867, when the contract was first entered into. It was subsequently reduced when the Brindisi route was adopted, and is now one shilling. As regards postal communications with places situated within the limits of Native States, an understanding has been arrived at by which the Indian Government pays all the expenses, and receives all the postage, and the deficiency, if any, is made up by the Native States. The soldier's and sepoy's letters go free in India, but not officers' letters. The sepoy's letter is stamped by the commanding officer, and at the end of the month he recovers the stamps, so that in the end, the sepoy's letters go substantially free.

SECTION XII.

LAW AND JUSTICE.

Sir H. L. Anderson was also examined upon the subject of the sources of revenue included under the head "Law and Justice," which represented a total of 80 *lacks* in 1869-70. The first item of about $1\frac{1}{2}$ *lacks* of *Rupees* consists of the sale proceeds of unclaimed intestate property. Such property is not sold for the benefit of Government till after a year or more lapses from the date that it comes into the hands of Government, and due steps are taken to advertize the death of the intestate owner all over the country. The next item of revenue under this head, consists of the proceeds of Jail manufactures and convict labour, which amounted to 13 *lacks* in 1869-70. This figure represents the net yield after deducting expenditure, including the cost of the raw material manufactured, and the prison expenses, and maintenance charges of the convicts. The net revenue of 13 *lacks* however includes the value of convict labour when it is employed in other Government departments, such as the Public Works. In the Bengal Jails, which are the best managed Jails in this respect, the number of prisoners sentenced in 1869-70 was 71,751, and the daily average mean strength of the Jails was about 20,000. Out of this daily average, 17,387 were sentenced to labour, and out of these again, nearly one half, or 8,252 prisoners, were employed in manufactures. The outturn of the Bengal Jails was valued at 4,55,457 *Rupees*, out of which sum $2\frac{1}{2}$ *lacks* represented the yield of the industry of about 400 convicts of the Alipoor Jail, who

are employed in the Government Press at that place. The hire of convicts let out to other departments resulted in a debit against the Public Works department of $2\frac{1}{2}$ *lacks*, showing a net result of nearly 7 *lacks* as the value of the labour of eight thousand and a quarter of prisoners. The gross cost of the Jails in Bengal is 53 *Rupees* per head per annum, and the net cost is 36 *Rupees*, after deducting the 7 *lacks* which represent the return of labour, or the sale price of goods manufactured. In Bombay the total number of prisoners was about 22,912 in 1869-70, the daily average was about 5,948 prisoners, and the gross cost of maintenance was 102 *Rs.*, while the net cost was 59 *Rupees*, per head per annum. The death rate in Bombay was 3 per cent., in Bengal it was 5 per cent. Out of the 102 *Rs.* of gross charges per head in the Bombay Jails, about 22 *Rs.* represented the cost of the guards, which expenditure was not charged in the Bengal accounts. The real cost of maintenance in the Bombay Jails is thus reduced to 80 *Rs.* per head against the 56 *Rupees* per head of Bengal. The daily average of prisoners in the Madras Jails was 9,933, and the death rate was nearly 4 per cent. The gross charge for maintenance was 70 *Rs.* per head in that Presidency.

As regards convict labour generally, it is to be remarked that the convicts are mostly men of the criminal tribes who are not brought up to know any trade. They are therefore made to work as labourers in various manufactures, chiefly the manufacture of coarse cloth, towels, carpets &c. In Bengal they are employed on the Jute mills, and make

gunny bags ; some of them perform menial services in Jails, which effects some saving in expenses. In some Jails they are also employed as warders. They are not employed on works which require skilled labour, as the convicts chiefly come from those classes of people who know no trade, and in fact have most often to be taught the first rudiments of manual work while in Jail. There are no special trade instructors, but there are skilled foremen, conversant with particular trades. By good conduct at the short drill and other unremunerative kinds of work, a convict gets the opportunity of being employed in other kinds of labour which are less irksome than mere manual labour. In some Jails they have got a good conduct mark-system. In Punjab they allow good conduct marks to go towards a remission of sentence, and in Bengal there is a scheme of what is called intermediate imprisonment. In the Alipoor Jail, the convicts are employed upon jute mills and oil pressing machines. There are tread-mills in Calcutta and Bombay, but not in the Mofussil Jails. The treadmill punishment can be made productive by turning it to account for the purpose of grinding corn. The general fault of the Indian Jail discipline is that the object of enforcing really hard labour is a little sacrificed to the consideration of profitable outturn. In some of the best Jails, they have not made the punishment sufficiently deterrent because the authorities look to make it productive. In the Alipoor Jail, where the convicts work on the Government printing press establishment, the Jail authorities charge excessive prices for the work done there, much more than what would be demanded by private printers, and this excess

of charge is made in order to show a large apparent profit to the great prejudice of private industry. The commission of the Superintendent of this Jail was formerly made to depend upon the outturn ; there was therefore a great temptation to exaggerate the value of the work done. The principles upon which the profits of Jail labour are ascertained may be briefly summed up in these words; first in the case of manufactured goods, the purchase price of the raw material is deducted from the sale price of the manufactured produce. Secondly, in the case of convict labour, the market wages of labour are taken to represent the cost of it. No payment however is actually made by the Public Works department when it employs convict labour; the market value of the labour is only credited as a nominal receipt to the Jail account. Of course convict labour is very inferior, and at one time the Public Works engineers said they would rather have nothing of it at all. The prisoners do not come out of the Jails with better principles or better habits of industry. The Jails are in all cases enabled to undersell the local trades. But very often there is no competition between the two, as they are employed in different kinds of work. There are not in India, like the inspectors of prisons in England, any persons whose duty it is to certify various sorts of labour as hard or simple labour.

The next item of receipts under the head of Law and Justice consists of the fees for serving judicial process which amounted to 7 lacs in 1869-70. These are paid by parties for summoning their witnesses in civil and criminal cases. The Court fees, or the institution stamps, have always been an item

of imperial revenue. The fees for serving process in former times did not go to the Government Treasury. They were called *Amin fund* in Bombay, and *Talabana* in Bengal, and were kept with the Judges of the Courts who employed the men to serve the processes. Though process fees are now credited as a receipt in the Government Treasury, this revenue only comes in to be paid out again to the process serving establishments. So far as it goes, it represents an addition to the stamp duty charge upon suitors in India.

The next item consists of fines and forfeitures, which yielded about $31\frac{1}{3}$ *lacks* of *Rupees* in 1869-70. This sum represents the gross receipts, for there is no establishment in India paid out of, and therefore interested in, the amount of the fines levied, like the Magistrates' Clerks in England. The next head consists of the fees for the Registration of Assurances which yielded a revenue of 16 *lacks* in 1869-70. Under the old Act 16 of 1864, Government obtained a net income of $2\frac{1}{2}$ *lacks* after payment of charges, and they had accumulated $13\frac{1}{2}$ *lacks* in this way as savings in half a dozen years. The Government in passing their last Registration Act in 1871 distinctly declared that it was not their object to make revenue from registration fees, and they stated that they would be content with levying such fees as would recoup them for their expenses, and leave a margin of 5 per cent. for providing pensions to the establishment. Besides these permanent five items, there are a few others of

minor importance included under the head of Law and Justice, which are in the nature of casual accessions, such as the convict receipts for Port Blair, which are more than covered by the general charges of that convict settlement; all these items together made up the total of 80 *lacks*. The total expenditure on Law and Justice was 2 *crores* and 98 *lacks* in 1869-70. It will be seen therefore that it is not covered by the 1½ *crores* of the receipts from judicial stamps, and the 80 *lacks* obtained under the head of Law and Justice. There is a deficit of nearly 60 *lacks*.

SECTION XIII.

MISCELLANEOUS RECEIPTS.

CIVIL DEPARTMENT.

The item of miscellaneous receipts is composed of amounts which do not fall under any of the principal heads of revenue, and are not themselves of sufficient importance to be separately noticed, or are casual and extraordinary receipts, the inclusion of which in the principal heads of revenue with which they are connected would be inconvenient, as tending to vitiate and comparison of results for different years. Some of the items under this head are recurrent, and others are casual. There are three heads of miscellaneous receipts belonging respectively to the civil, military, and Public Works department. Of the civil miscellaneous receipts which occur every year, the first item is a sum of $4\frac{1}{4}$ lacs which represents the gain on transactions with London. Every year large amounts are advanced in England for the payment of annuities to retired members of the civil service, and to annuitants upon certain provident funds connected with the civil services. The Trustees of these funds repay the annuities at the rate of 1000 *Sicca Rupees* for an annuity of 100 £. These *Sicca Rupees* represent $10666\frac{2}{3}$ Government *Rupees*, being six per cent. more than the amount paid in England as compared with the official rate of exchange. This results in a gain in account of six per cent. on the amount of the annuities disbursed in England. The premium on money orders which the Government grant from one treasury to another, representing an annual yield of $1\frac{1}{2}$ lacs, is the second item under this head of civil miscellaneous receipts. The

next item consists of unclaimed deposits and Bills which, if unclaimed within three years, are carried to revenue, and, if they are paid thereafter, appear as refunds. For the most part there is no real gain in these transactions. Under this head also are entered the subscriptions to the military funds. As regards the military funds, previous to 1866 a separate account was kept of these funds, but in that year Government assumed the management of these funds, and took over the capital of the funds with all its obligations, and the interest of the officers in these funds was formally guaranteed to them. The subscriptions are at present carried to the revenue, the pensions paid are taken as charges against revenue, and the difference by which the annual charge exceeds the annual receipts is shown as a charge to the capital account of the funds. These funds were formed at first by voluntary associations of the officers, and the East India Company assisted these funds by simply allowing a higher rate of interest upon the deposits. When these funds were taken over, instead of showing the entire capital of the funds transferred as revenue of that year, it was arranged that only the excess of pensions paid over subscriptions received in each year should be taken from the capital, and the balance of the capital account appears in the statements of account as deposit not bearing interest. The amount of these funds at the close of the year 1869-70 was about 3 millions. This capital will be gradually exhausted by the annual charges in respect of excess of payments over subscriptions received. Interest was allowed before the Government assumed

management of the funds ; since then interest is not allowed. When the capital will be exhausted, Government will have to provide for the charges out of ordinary revenue. The funds are applicable to the support of the widows and orphans of officers who entered the army before 1859, and are closed against new admissions, and they would come to a natural end with the lives of the widows and orphans of officers who entered service before 1859. Of late by an act of Parliament it has been made an incident of the military service that Government should pay the annuities. At present, all the civil service Annuity and Provident funds carry interest, and the receipts of annual subscriptions are credited under this miscellaneous head. The sale of old stores and Darbar presents, fees and fines and forfeitures including marriage fees, burial fees, emigration fees, and fees for stamping weights, proceeds of the sale of Government books, recoveries on account of law charges in pauper suits, proceeds of experimental cotton farms and factories, all these appear under the head of miscellaneous civil receipts.

MISCELLANEOUS ARMY RECEIPTS.

These receipts were estimated in 1869-70 to be about 75 *lacks*. of *Rupees*, and include, like the civil receipts, both casual and recurrent items. Of the latter, the purchase money paid for discharges, and the unclaimed balances of deserters, formed the principal heads under the grant of regimental pay. On the Commissariat grant, the receipts were chiefly derived from the sale of malt liquor bought in England, and of spirits, rum, and Arrack

bought in India by Government, and resold to the troops in regimental canteens. A considerable sum was derived from the sale of old stores and provisions, and of Commissariat cattle. The stud establishments also brought in a considerable sum from the sale of regimental cart horses, and amounts received from officers for chargers supplied. The army clothing establishments supplied clothing to the Police and other departments, and the payments made on account of these supplies were brought to account under this head. The same observation applies to the stores supplied by the Army medical establishments to the civil dispensaries. These latter items are more matters of account than real revenue. The proceeds of the sale of ordnance stores and camp equipage also appear under this head. Mr. Harrison admitted that there are no regular stated accounts or annual balance sheets concerning these transactions, showing at a glance whether they make a profit or loss on the whole business. All the items of military receipts mentioned before are of an ordinary and recurring character, though varying in amount from year to year.

MISCELLANEOUS PUBLIC WORKS RECEIPTS.

Upon this third head of miscellaneous Public Works receipts, Lieutenant Colonel G. Chesney was examined before the Committee. He stated that it consisted chiefly of three items, water rent from irrigation works, the yield of which was about 53 *lacks* in 1869-70, miscellaneous receipts, and State Railway receipts, making in all about 95 *lacks* of revenue. The gross receipts of water rents from irriga-

tion works are gradually expanding. The total amount of 53 *lacks* is made up of 32 *lacks* derived from the North West Provinces, and 20 *lacks* from Punjab. Bengal yielded 54,000 *Rs.* and Bombay about 25,000 *Rupees*. At first Government derived no direct revenue from irrigation works. The previous native Governments levied no special water rates; they maintained the irrigation works at their own cost, and recouped themselves from the enhanced assessment on land. This was the plan adopted in Southern India, where there are extensive irrigation works constructed by the old native rulers, and even under British rule this policy has been continued. When new canals were however constructed in the North West Provinces, it was found that the assessments had been fixed there for long periods, and could not be enhanced without a breach of faith; a direct irrigation rate was therefore levied for the first time in these Provinces, and the system has been extended thence to Punjab, Bengal, and Bombay. In Bengal the revenue from irrigation rates is derived chiefly from the Orissa works. In the N. W. Provinces, the revenue is derived from the Ganges and Jumna canal works; two thirds of it comes from the Ganges canal, and one third from the Jumna canal. The irrigation cess is entirely voluntary, and the rates vary according to the nature of the crops from 2½s. to 10s. On the Ganges canal, the supply of water is not equal to the steadily rising demand of the cultivators, and the other canals in the North West and Punjab are also in full working order. The Ganges canal did not for some years pay its working expenses. It now pays 7½ per cent. on the capital, after deducting all expenses for

maintenance and establishment. This amount does not include the accumulation of interest during the years when the canal did not pay its expenses. The two Jamna canals are on the same principle paying about 17 or 18 per cent. on the capital sum spent in their construction. These canals paid 5 per cent. almost from their first construction, and in their case there is no accumulated loss of interest to make up. They were constructed in two or three years, and have been in working order for the last 40 years nearly. The Orissa canal took six years to construct; the Government bought the canal from a private company who had constructed it partially before. The Orissa canal has just commenced to yield some revenue by means of water rates. The Orissa works are not quite in the nature of canals, they are more in the nature of a net work of navigable canals combined with other irrigation works.

Besides the water rates levied from the great canal works, considerable revenue is derived from navigation tolls, which, along with fees and refunds, thus constitute the second important item of the Public Works miscellaneous receipts. The yield of navigation fees is however inconsiderable, and as for refunds it is a matter of account only, being a credit on account of charges against local funds for services done by the Government of India on behalf of Local Funds works. The rents of lands and buildings, including Military quarters occupied by officers and civilians, and Government quarters rented, by them, and Government lands similarly rented constitute the third great head of miscellaneous Public Works receipts. The fourth

head of Public Works Miscellaneous receipts consists of the gain in exchange on the Railway transactions, and the gross traffic receipts of the State Railways in Bengal and the Central Provinces. The gain in exchange represents the difference between the rate at which the Government receive the traffic receipts from the Companies in India, and pay them to the share-holders in England. They receive them at the rate of 1s. 10d. a *Rupee* from the Companies, and credit the Secretary of State at the rate of two shillings for a *Rupee*. There is thus a gain of 2d in the *Rupee* to the Government of India. As the rate of exchange has not been for some years so low as 1s. 10d., this difference represents an actual gain, and not a mere adjustment of accounts. In effect 22 pence are given by the Secretary of State in England to the Railway Companies for every *Rupee* of traffic receipts received from them in India. As a set off against this, when the Railway capital was first transferred to India for the construction of the great lines, for every 22 pence paid by the Companies in England, they obtained a credit of one *Rupee* in India.

The Ganges canal cost two *crores* of *Rupees*. There is a huge dam built at the spot where the river issues from the mountains; the Ganges canal commences at that place, and joins the river again at Cawnpore. The whole of the Ganges water at the place where the dam is built is diverted into the canal, and the canal is kept navigable at all times. The channel is not sufficiently large to give off all the water for which there is a demand, i. e., the quantity of water that

would be sold if it were available. The level of the canal is ordinarily below the level of the land, but the canal runs with great velocity, about $2\frac{1}{2}$ miles an hour, and has a fall of about 65 inches in the mile, while the country has a considerably greater fall, so that at the end of every third or fourth mile the water comes up to the surface of the country, and is then taken by a branch channel for irrigation, while the main stream goes over a weir to a lower level. The irrigation is carried on by means of small subsidiary channels taken off at intervals from the main canal ; these latter are again diverted into smaller channels which open out into the fields by means of small gates. The irrigation extends to about five or six miles on the banks of each channel. The whole of the Doab for about 70 or 80 miles in width is watered by the canal, and the length of the canal is about 900 miles up to Cawnpoor. The Ganges Canal was first opened for navigation in 1855, and for irrigation in 1858, but it brought in no sensible revenue till 1861, fifteen years after its commencement in 1845, or rather in 1848. Looking simply to the water rents, the canal cannot be considered to be remunerative, if the loss of interest for the many years it did not pay anything be taken into account. But if the saving of the land revenue in bad years which it has effected be taken into account, it has been undoubtedly highly remunerative. In respect of this latter consideration, the Madras works, although they bring it no direct revenue, are the most remunerative. They may be said to have banished famine from the irrigated districts. Since the Ganges canal was opened, there

have been two years of great draught which would have resulted in a famine but for the canal. Both in the Madras Presidency and in the North West Provinces, the land revenue has been enormously increased by reason of these canals.

The gross profits from the single State Railway open in 1869-70 were 80,000 *Rs.* on a capital expenditure of 40 *lacks*. The working expenses of this Railway are not covered by the gross receipts, so that in effect the Government has paid 40 *lacks* to purchase a Railway on which the actual loss is 50,000 *Rs.* a year. Colonel Chesney stated that about three State Railways are expected to pay more than 5 per cent. interest on their capital. There is a railway running along the side of the Ganges canal. Though the canal was originally built both for irrigation and navigation purposes, it has been found by the experience of the last few years that the navigation is very inconsiderable, and the large expenditure incurred in making the locks returns no interest in the shape of navigation tolls. On the Jamna canal and the Punjab canal system, the navigation is also very trifling. On the Rajmahandry canal, there has been a considerable increase of traffic. The Ganges canal yielded by way of navigation tolls 85,000 *Rupees* in 1869, out of which 12,000 *Rupees* represented the cost of the boat establishment. If the cost of constructing the locks be added to the cost of the establishment, it will be found that the canal is worked at a dead loss.

SECTION XIV.

MINOR SOURCES OF REVENUE.

(POLICE.)

The revenue derived under this head showed a total of $28\frac{1}{2}$ *lacks* of *Rupees* in 1869-70 ; this sum was made up chiefly of municipal contributions which brought in 21 *lacks* ; the contribution paid by the Railway Companies for the Police employed on the stations amounted to about $3\frac{1}{2}$ *lacks* ; about 35000 *Rs.* were received on account of the chowkey-dari police employed by private persons ; about $1\frac{1}{4}$ *lacks* of *Rupees* were obtained from fees, fines, and forfeitures ; and there was a miscellaneous receipt of $1\frac{1}{2}$ *lacks* from various sources, such as cattle pounding fees, and departmental savings &c. When Lord Mayo effected reductions in 1871, the Police expenses were at a single stroke reduced by nearly 10 *lacks*, out of which sum six *lacks* were allotted to Bengal, and 4 *lacks* to Madras. This large saving was effected by reducing the number of officers, chiefly Assistant Superintendents. Similar reductions were not made in the Bombay Presidency. Bombay had till then enjoyed another advantage over the other parts of India. The Bombay Municipalities did not contribute sufficiently to the expenses of their Police, and the Government of India called the attention of the local Government to this difference. The country districts in Bombay moreover still retain their village police *shetsandies*, who cost nothing as they receive no pay from the state. The Government of India accordingly confined their attention chiefly to the Municipalities. In Bengal

the number of regular Police comes up to 31,700 men, and the strength of the village Police is 18,610. In the Bombay Presidency, including Scind and the Island of Bombay, the regular police force consists of 20,525 men; of these 15,770 men belong to the mofussil, 3500 to Scind, and 1350 to the Island of Bombay. The number of Police in the Madras Presidency comes to about 23,433 men. The cost of the Police, taking the whole of India, is nearly $2\frac{1}{2}$ crores of *Rupees*. Out of this sum the cost for Bombay was about 35 *lacks*, and for Madras 36 *lacks Rupees*.

Every man of the Police force is taught a certain amount of drill, but not a complete drill; some of the corps, such as the Bheel corps in Khandesh, are even taught Military drill.

MINOR SOURCES OF REVENUE.

(MARINE.)

The receipts under the item of marine Revenue amounted in all to 33 *lacks* in 1869-70. The most important of these receipts consists of the pilotage dues for the Hoogly, which amounted to about 7 *lacks*; about 60 per cent. of this income is paid to the pilots employed in the service, and the rest of the money goes as profits to Government which maintains the four pilot brigs and the fixed establishment. Government also maintains the lights at the mouth of the river Hoogly. A sum of $7\frac{1}{2}$ *lacks* in Calcutta, and of three *lacks* in Bombay, is received by Government for dockyard services and supplies. There are other miscellaneous items, large in the aggregate, but each separately not worth a separate notice. The normal receipts under this head come to about 20 *lacks of Rupees*; the item of $12\frac{1}{2}$

lacks, received in the shape of the proceeds of Government vessels sold, is not a regular item of receipts under this head. The Budget estimate for 1871-72 under the head of marine was nearly 24 *lacks*, and the whole of this revenue is derived from special services rendered by Government to private ship-ping. The seven *lacks* received on account of the Hoogly pilotage fees are properly not taxation ; they are a reasonable return for the money disbursed by Government in maintaining the pilots, the pilot ships, and the lights. It is a payment for service rendered, and is not revenue in the sense of taxation. The receipts are more than balanced by the corresponding disbursements, as the expenses of maintaining the channel lights and buoys, and of surveying and dredging the river, and keeping open the channels, are not covered by the pilotage receipts. The same observation holds true about the dockyard receipts. They bear no proportion to the sums spent by Government in building the dockyards. In the case of the Hoogly river, the Government maintains the brigs, but the pilots are not in its service. They formed a close service once, but now any person on passing an examination receives a certificate to act as pilot, and use the Government brigs. The pilotage fee is demanded for the use of the vessel, and is independent of the charge for the pilot's service. The fees are collected by a Government officer, and the rates of pilotage are fixed by Government. In the accounts of the Government of India there is no separate heading in the nature of a capital dead stock account, showing the ships, docks, buildings, stores &c., which are the property of Government. When ships and stores and

buildings, whether built or purchased from the annual revenue or from money obtained by loans, are sold off, the proceeds appear as a regular receipt on the income side of the accounts of the year in which the sale takes place, just as the price paid for them or the cost of building them appeared as an item in the expenditure side of the accounts of the year in which they were purchased or built.

MINOR SOURCES OF REVENUE.

(EDUCATIONAL)

The total receipts under this head were about $7\frac{1}{2}$ lacks in 1869-70, and were made up partly by fees, donations, and contributions, which brought in $4\frac{1}{4}$ lacks, and partly by the sale of books which brought in $2\frac{1}{2}$ lacks of *Rupees* of gross receipts. The entrance fees of the Calcutta University yielded 40,000 *Rupees*. Of course the $7\frac{1}{2}$ lacks mentioned before do not include the proceeds of the local funds contribution. The total sum spent on education in India from all sources in 1869-70 was $1\frac{1}{4}$ crores of *Rupees*, of which about 62 lacks represented the proportion of the imperial expenditure, and 39 lacks were contributed by the local cess for education. The total imperial grant in 1867 for science, art, and education was 87 lacks. The local funds system has at present been developed all over India, and the education grant from the Imperial treasury is supplemented by a nearly equal payment out of these funds, which sum does not find its way in the Financial accounts. In the North West Provinces, the Government formerly used to divide the local expenditure on education into two parts, one of which was

paid directly out of imperial funds, and the other was paid from local cesses. Of late the Government levies an additional five per cent. on the land revenue, and pays thereout for roads, education, and other expenditure. In Bengal there are no local cesses, although there are large contributions paid by the Municipalities, not for local, but for municipal purposes. In Bombay, one *Anna* in the *Rupee* of the land Revenue is levied, and this sum is divided into three parts, two portions are devoted to roads and repairs, and one part is allotted to education. In the Panjab and Madras territories, an additional two per cent. is levied upon the land assessment. The people of Bengal, in so far as the education expenditure is concerned, pay very considerably larger fees than the other Presidencies, and thus compensate to some extent for the want of local cesses. The Government besides contributes grants-in-aid to a considerable extent; the general principle of these grants-in-aid, so far as Bengal is concerned, is that Government pays a sum which never exceeds what the locality itself may have contributed towards building its own school, or maintaining it. In Bombay the payment of the grants in aid is now regulated by results; the teacher gets paid according to the number of scholars taught by him who pass fixed standards of examination. The Imperial expenditure in Bengal on education is 18 *lacks*, and 13 *lacks* are contributed by private sources. In Bombay, the Local contributions and cesses exceed considerably the Imperial contribution. The bulk of the expenditure is spent on higher education, and not upon primary schools. Besides the Government schools proper, there are some private schools which

(273)

are aided by Government, and others which are simply under Government inspection, and receive no aid from Government.

SECTION XV.

INTEREST.

The receipts under this head for 1869-70 were $33\frac{1}{2}$ *lacks*, the most important item being the interest on the Government securities held as part of the reserve against the circulation of the Government Paper Currency. The amount of this interest was $16\frac{1}{2}$ *lacks* in 1869-70, and represented a capital of $3\frac{1}{4}$ *crores* of *Rupees* worth of Government securities, which have been purchased in the open market, and the stock receipt of which is held in the name of two Commissioners appointed under the Currency Act as trustees of the reserve held in securities. The maximum limit of the reserve fund as fixed by law which may be invested in securities is six *crores*, though at present only $3\frac{1}{4}$ *crores* are so invested. The stock receipt in the name of the Trustees represents in fact the notes themselves, and is held in the custody of the Mint-master at Calcutta. The notes themselves have been given up and cancelled. The stock receipt would entitle the Trustees of the reserve fund to receive the notes from the officer of Government on request. These $16\frac{1}{2}$ *lacks* of *Rupees* represent the profit obtained by Government which issues the Paper Currency, and the expenses of that department must be set against these $16\frac{1}{2}$ *lacks*. The next item under this head of interest receipts consists of dividends received on the shares held by Government in the Banks of Bengal, Madras, and Bombay. These receipts amounted to two *lacks* in 1869-70. The third item under this head consists of the interest on loans advanced to Municipalities. The receipts under

this head amounted to about $7\frac{1}{2}$ *lacks* in 1869-70. The Calcutta Municipality pays 1,82,620 *Rupees* as interest upon a loan of 52 *lacks* borrowed by it from the Government for the completion of the water supply of Calcutta. Bombay pays a sum of nearly 6 *lacks* under this same head. While the Government seldom gets a loan for itself at less than 5 or $4\frac{1}{2}$ per cent., it advances loans to these Municipalities at 4 per cent, making a present of one per cent. interest to them out of the general revenues.

The other receipts under this head are of a miscellaneous kind, including among others the interest charged on arrears of revenue in the Presidencies of Madras and Bombay.

As regards the item of the dividends received by Government on account of its share in the Banks of Bengal, Madras, and Bombay, Mr Harrison stated that the Government have invested $2\frac{1}{2}$ *lacks* in the Bank of Bengal, and 6,18,750 *Rupees* in the Bank of Madras; it had invested 12 *lacks* in the old Bank of Bombay which have been all lost, and it has since then invested in the new Bank of Bombay 1,60,000 *Rs.* In all 40 *lacks* of *Rupees* represent the share of Government in these Banks, and the sum of two *lacks* received as interest on this investment represents a considerable profit, seeing that 12 *lacks* out of the capital fund have been lost altogether. In fact, the Bengal Bank has paid a dividend of 10 per cent. on the shares held by Government during the last 20 years, and the return of the Bank of Madras has also been higher than 5 per cent.

As a question of principle, Mr. Harrison conceded that the Government ought not to invest money in such speculative concerns. But, practically speaking, this investment has been of great benefit as well to the Government as to the Banks so subsidized. The Bank of Bengal has existed ever since 1809, and the Madras Bank is also an old institution, and both are well managed and sound concerns. The Bank of Bombay has been the only exception to the general rule. The Government derive considerable advantages from their connection with the Presidency Banks. They serve as Treasuries where Government keep their cash, and make their disbursements ; both those purposes formerly required the services of a separate establishment. For this service the Bank of Bengal receives the trifling payment of 43,000 Rs. a year, and the Government, besides the advantage described before, are able to exercise a considerable amount of control over its management. In return for these services, the banks get the advantage of holding large Government balances in their hands free of interest. The Government has held shares in these Presidency Banks ever since their institution, while the services rendered by the Banks as Government Treasuries are only of a recent date. The shares are not held as a part of the bargain by which the Banks are remunerated for the services they render. When the Presidency Banks were first started, it was thought that strong local Banks could not be constituted without Government support, and it was with this view that the Government subscribed for a few shares in each bank. And the necessity for such support

has not ceased, for even at present there is no instance of a bank which, confining itself entirely to local interests, and being strong in its own resources, thrives independently of Government aid. Before the constitution of the Paper Currency department, the banks had the privilege of issuing their own notes which brought them considerable profit. This source of their profits has now ceased. The shares held by Government in these Banks command a considerable premium, and if the entire interest of Government in these transactions were wound up tomorrow, the Government would get all its money back, including the loss it sustained in the old Bank of Bombay. Out of a capital of twelve *lacks* lost by the old Bank of Bombay, about 90,000 *Rupees* only have been recovered.

Besides the 52 *lacks* of *Rupees* advanced to the Calcutta Municipality for its water supply, 20 *lacks* were advanced by the Government for the improvement of the Calcutta Port, which have had to be wiped off as bad debt. The advances to the Bombay Municipality are made up of 38 *lacks* advanced for its water supply, and 30 *lacks* more which were subsequently lent to enable it to pay off its debts. There are other loans made to Bombay besides the monies advanced to the Municipality, which together come up to one *crore* and forty *lacks*. The Elphinstone Reclamation works were taken up by Government, which paid more than two millions on this account, and which sum it now charges to the Bombay Port Trust. The Government in a similar manner lost 4½ *lacks*, which it advanced to the Port Canning Company, and for which there can never be any return. In a si-

milar manner, Government took over the Calcutta and South Eastern Railway at a loss. The Orissa Irrigation Works were also bought up from the private Company which first undertook to construct them for a very large sum, for which there is no prospect of any immediate return. Besides the Municipalities of Calcutta and Bombay, a loan of $6\frac{1}{2}$ *lacks* has been sanctioned for Karachi, a loan of nearly 13 *lacks* has also been sanctioned for the water supply of Madras, and a loan of 2 *lacks* for the completion of a canal round Madras. In the case of some of these loans to the municipalities, provision has been made for the gradual formation of a sinking fund in addition to the 4 per cent. interest paid to Government, by which the capital amount due will be paid off in the course of a fixed period of years.

SECTION XVI.

ELECTRIC TELEGRAPH REVENUE.

Major B. Champion, Director in Chief of the Government portion of the Indo-European Telegraph, was examined upon the subject of the revenue derived by Government from the earnings of the Government portion of the Indo-European Telegraph line. The lines under Major Champion's charge leave Karachi, and through the Persian Gulf extend to the mouth of the Euphrates and Tigris. One branch of the line touches the Persian coast at Bushire, and runs up to Teheran. This line is fed from Europe by the Indo-European Company's special line *via* Prussia and Russia, which joins it at Teheran. Another fork of the line is fed by the European system *via* Constantinople to Bagdad. This latter is supported by the Turkish Government. The bulk of the traffic passes *via* Russia. The purely Indian lines are entirely separate from these Indo-European lines, and Major Champion has no control over them. The receipts in 1868-69 from the Electric Telegraph Department in India were $20\frac{1}{2}$ lacks of Rupees and in England 44,110£, or in all about 25 lacks. Of this sum the Indo-European lines yielded 44,110£ in England, and about $7\frac{1}{2}$ lacks in India, during the year 1869-70 the rest, about 13 lacks, was the income of the purely Indian lines. For the first four or five years, the income of the Government portion of the Indo-European line ranged up to 10 lacks. The rate for a through message was then 5£, 1s. This rate was reduced to 2£ 17s. in January 1869, which led to the

reduced income of that year. Out of the whole Indo-European line, the Government portion is nearly one-half. The Government charge for their portion of the line was before 2£ 10s., but it was subsequently reduced to 1£ 8s. The opening of the Red Sea line has however again affected the income of the old Indo-European line for the worse. Its income in 1870-71 was only 5½ *lacks*. By reason of the opening of this line, the Indo-European Company found itself unable to work at the lower rates, and the rates for the Indo-European line have been therefore again raised from 2£ 17s. to 4 & 10s. The share of Government in line is represented by the proportion of 1£ 8s. to 4£ 10s., which is the present rate for a thorough message. A small portion of the Persian line from Teheran to Bushire yields an income of about 30,000 *Rs.*, after paying a certain sum to the Persian Government for the use of the line.

There are now two good lines to India, the Indo-European and the Suez lines. The messages sent in the first year (1865-66) of the opening of the Indo-European line numbered 28,000; they went on increasing to 46,000 in 1869-70. Since the opening of the Suez Canal, they have fallen to 41,000. Major Champion said he expected to receive an average income of about 7 *lacks* of *Rupees* on the Government portion of the Indo-European line. The sum expended by the Indian Government in the construction of its portion of the Indo-European Telegraph was one *crore* and 12 *lacks* of *Rupees*. Out of this sum, about 9½ *lacks* may be recovered from the Turkish and Persian Governments. This large sum of a *crore* and

twelve *lacks* includes the expenses of superintendence in laying down the line. The working expenses in the year 1869-70 were more than 8 *lacks*. They were, taking England and India together, about 8 *lacks* a year between 1865 and 1868, and the average earnings were about 9½ *lacks* for the same period. The expenses have been since reduced to 6½ *lacks*, and may be still further reduced to six *lacks*. Since the opening of the Suez Canal, the income has decreased notwithstanding the enhanced rates, and though it is rising again, it is not expected to be more than 7 *lacks*. Under all circumstances, the receipts will never more than repay the working expenses; the rates cannot be put so high as to pay any really good dividend on the sum invested, for the expenses of keeping up a costly double line from end to end are very great. The Marine Cable in the Persian Gulf was laid down in 1864, and it is as good now, and tests as well, as when it was first laid. It has had to be repaired in places, but the time when a general replacement will become necessary cannot be at present ascertained. The general opinion is that a cable should last from 30 to 50 years. The working of the Persian line entails on the Government a dead loss of 2300 *£s.* a year. The original arrangement with Persia was that the Persian Government were to pay for the wire material, and supply the poles and the labour, while the English Government were to grant the officers and men to work and superintend the line, and the whole of the receipts up to 12,000 *£* were to be paid to Persia. The receipts have never yet reached 12,000 *£*, and the line is worked at a loss of 23,000 *£* a year.

This old arrangement was altered when the Persian or Siemen's line was laid. The present arrangement provides that the British Government should pay a lump sum of 4,800£ a year to the Persian Government, no matter what the receipts are, and halve the remainder with Siemen's Company. Since this arrangement was entered into, the line has been paying some revenue. At present the rates of the British Indian Submarine and the Indo-European or Siemen's lines are 4£ 10s., while the Turkish rates are 2£. 17s. The messages by the latter line, passing through Asia Minor and Constantinople, take 36 hours, while the messages by the other line require about 3 hours less. From the time that the rates of the Indo-European line were raised, the messages have diminished in number, but not nearly so much as to affect the increase of rates. Since the Indian Navy was abolished, the Indian Government pays about 7 *lacks* of *Rupees* a year to the Imperial Government for the naval service of the Persian Gulf. In 1870-71 the receipts of the line under Major Champion's Directorship were 56,250£, and the working charges 63,000£. As there is a double line all the way, there is no chance of its being blocked up. The arrangement with Persia described before ceases in August 1872, when if no fresh arrangement is entered into, the Indo-European Company will have to take up that line, and work it at a loss.

There are now three lines from England to India, the Red Sea or British Indian, the Turkish, and the Indo-European or Siemen's line. The Government at first laid down a line which carried messages from India to England via Turkey. A portion of this

line between Bagdad and Bassarah was not thought to be safe owing to the roving character of the Bedowin Arab tribes through whose territories it passed, and an alternative line was laid from Bagdad up to Teheran, which again joins the main line at Bushire. The Arab tribes have not except once for three months interrupted traffic on the line passing through their country. This Persian line is not much used for traffic purposes, but it gives access to the Persian country to a number of English officers which is itself a great political advantage. The Persian Gulf system of Telegraph though it does not financially pay, cannot be abandoned with advantage, especially as it is now made to yield a sufficient income to pay its working expenses. The Red Sea line was opened in March 1870, since which time it became necessary to raise the rates, because although the lines were doubled, the old traffic did not double, and was not sufficient to feed two lines when it barely fed one line before. England has not paid as yet, and Major Champion thinks she ought not to pay, any portion of the one *crore* of *Rupees* and more that India was made to spend in constructing the Government portion of the Telegraph. England however paid half the expenses of a line which was attempted to be laid during the mutiny years in the Red Sea, which attempt failed miserably. The charge for a thorough message now is 4 £ and 10s. from England to Calcutta; of this sum 9s. 6d. are paid for the Telegraph in India, and 1£. 8s. for the Government portion of the Indo-European Telegraph; about 10s. go to Persia for the transit from Teheran to Bushire; and 1£. 2s. 5d. go to the Company for the distance between

London and Teheran, out of which payment the Company has to pay royalties to Persia and Russia. It would be impossible now to do without a telegraph line to India doubly secured against all chances of interruption. The Persian Gulf has now two cable lines for some distance, and one land line for the whole length. The Persian Government has also got a local wire fixed to our posts, which they have learned to use for their purposes.

Mr. Thornton, who is in charge of the Public Works Department of the India Office, was also examined upon the subject of the Indo-European and Indian systems of Telegraphic communication. He said he had recommended once the giving up of the Persian Gulf line, but that he had changed his mind since, as the line has sufficient traffic to pay its expenses, and it would not be possible for any private company to work it with profit. It could not moreover be abandoned without a dead loss of all the materials and stores employed, and without sacrificing the many political advantages which its possession brings with it. He stated further that a charge of 9s. 6d. is made by the Government for the forwarding of any message received from England from Bombay to any other part or station in India. The charge is the same whether the station is Byculla or Calcutta. This charge was 7s. 6d. before, but was raised to 9s. 6d. when the rates were raised all round. If the message is delivered, the British Indian or the Submarine Company used to receive the 9s. 6d. But from June 1871, the Government has resolved to appropriate this receipt to themselves. In

the first Red Sea Telegraph, the Government lost nearly one crore of *Rupees*, because the company which undertook to lay down the wire did not conduct its operations with economy. It was a guaranteed undertaking, and Mr. Thornton stated it to be his opinion that the guarantee system destroys all security for economy and efficiency. In the same way the three lines of the Persian Gulf system, namely the cable from Bassarah to Karachi, the Bassarah Teheran and Bushire line, and the Mekran land line, were not needed, and involved a needless waste of money. The Indo-European Telegraph is chiefly for the benefit of Englishmen, and the messages mostly pass between Englishmen in India and Englishmen in England. As the Telegraph has proved financially a failure, it is but fair that a portion of the loss ought to have been borne by England. Speaking from experience, Mr. Thornton stated that there is not the smallest chance of any fair treatment of the interests of India in all cases where English interests are in opposition.

About the Indian system of Telegraph, Mr. Thornton went on to state that there are about 14,000 miles of Telegraph open in India; the total cost of their construction was 1 crore and 80 lacks of *Rupees* exclusive of arrears of interest. The total charge for 1868-69 was about 20 lacks, including all charges except the interest on capital, and the total revenue was about 12 lacks, leaving a net excess charge of 8 lacks. The revenue was 13 lacks in 1869-70. The receipts have increased regularly every year since 1850, chiefly because the mileage has also increased. The fact is that the local

rates are too low, and the Government of India is seriously thinking of raising them.
